中国安芯控股有限公司
Anxin-China Holdings Limited

Formerly known as Broad Intelligence International Pharmaceutical Holdings Limited
Incorporated in the Cayman Islands with limited liability
Stock Code: 1149

Anxin-China, your safety is our business

2010
Annual Report

中国安芯
Anxin-China

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhong Houtai, Chairman
Mr. Zhong Houyao
Mr. Lin Supeng
Mr. Yang Ma

Independent Non-Executive Directors

Mr. Pei Renjiu
Mr. Li Kai Ming
Mr. Cheung Chuen

COMPANY SECRETARY

Ms. Yu Wing Sze ACCA, CPA

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Minsheng Banking Corp. Ltd.
Agricultural Bank of China
China Development Bank
Baoshang Bank

AUDITOR

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
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28 Queen's Road East,
Wanchai
Hong Kong

REGISTERED OFFICE

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Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wanchai
Hong Kong

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Qiao Xiang Road
Nanshan District
Shenzhen
The PRC

Chairman's Statement

I am pleased to present to our shareholders the annual report of Anxin-China Holdings Limited (the "Company" or "Anxin-China") and its subsidiaries (the "Group") for the year ended 31 December 2010.

2010 is a year of continuing past efforts and extending into the prosperous future for the Group. Facing the challenging business environment and intense competition of domestic pharmaceutical market, the Group adjusted its development strategy by disposing of its pharmaceutical business during 2010 and began to focus on the development of the Intelligent Surveillance, Disaster Alert & Rescue Coordination ("ISD") System business, endeavoured to become a new high-tech enterprise committed to industrial safety. To better reflect the Group's business, the Group changed its name to "Anxin-China Holdings Limited" during the year.

During the year, the Group achieved encouraging results. For the twelve months ended 31 December 2010, the Group's ISD System business recorded a total revenue of HK$304,970,000, representing a significant 6-fold year-on-year growth. Profit attributable to owners of Group for the year surged to HK$244,909,000 year-on-year, representing a turnaround as compared to a loss of HK$570,145,000 in 2009. In order to retain sufficient funds for future business development, the Board did not recommend the distribution of final dividends for the year ended 31 December 2010.

As China gradually becomes one of the most influential economies in the world, many industries were at the stage of on-going expansion and rapid development. Production safety issues has drawn more attention from the government and the society than in the past. Safety in production and emergency rescue issues became the focus of attention. Anxin-China had seized this opportunity to target itself on the enormous but yet-to-be developed intelligent security alert system business market in China, developed the ISD business based on the advanced Internet-of-Things technology, and embrace the vast business opportunities brought by the prominent growth of ISD market.

Looking forward, as a leading enterprise in the industry and facing the enormous demand in the ISD System market in China, Anxin-China will continue to leverage on its competitive advantages gradually to achieve its mission of "Anxin-China, Your Safety is Our Business", create success for the coming year with a solid business foundation, and bring better returns to shareholders.

On behalf of the Board, I would like to acknowledge the determined efforts and significant contributions made by the management and staff, and would like to extend my heartfelt gratitude to our shareholders and investors for their support and trust.

Zhong Houtai
Chairman

Hong Kong, 29 March 2011

Chief Operating Officer Report

The year of 2010 is of profound significance to Anxin-China. The ISD business has become the core business of the Group after the business restructure in the previous year, enabling the Group to become the largest ISD provider in China. By now, Anxin-China had installed 27 monitoring centers and 6,493 ISD system surveillance points throughout China. The Group will leverage on this established foundation to expand the number of monitoring centers and ISD system surveillance points continuously, with a view to build up a growing security and protection network.

Adhering to the direction of the "12th Five-Year Plan" proposal, China Security and Protection Industry Association, an authoritative organization in the industry, also proposed its own "12th Five-Year Development Plan" for the security and protection industry in China. It specifies the direction of the security protection industry in China in next five years (2011-2015). For the "12th Five-Year Development Plan" of the industry, it is expected that the security and protection industry in China will further achieve leaping development in technology innovation and product upgrade. At the same time, it clearly states that the development of security protection industry aims at enterprise technology innovation and providing convenience for the government administrative authority's decision making and also for end-users. This is in line with our business model of providing ISD system integration solutions directly for government regulatory authority. The unique business model in serving the government/regulatory authority has provided a solid foundation for Anxin-China in maintaining a growth rate preceding the industry average, and also a continued drive for the Group to maintain a strong growth momentum in the future. Digitalized city construction and utilisation of Internet-of-Things in security protection will become the focus in future city development, bringing a great development platform for Anxin-China, which is crucial to the future development of Anxin-China.

The industry's "12th Five-Year Development Plan" proposes the adoption of scientific methods for industry development, emphasizes closer future co-operative relationship between the government and enterprises in security protection, and highlights the proximity between the improvement of security protection standard and the comprehensive development of sociopolitical, economic and cultural activities. The "12th Five-Year Development Plan" also stresses the integration of the most advanced technology development trend to incorporate the "Internet-of-Things"concept into the securities alert system, that is to make the security protection monitoring system more intelligent for the formation of "Internet-of-Security Protection", which would further fuel the strong growth of security protection industry in China. In respect of scientific research, Anxin-China always supports innovation and on-going research, explores application areas and key technical focus, and participates in setting of professional standards of the industry. In developing the "Internet-of-Security Protection", Anxin-China shall remain in forefront of the industry. We firmly believe that in the next five years or even a longer period, the security protection industry in China will sustain a rapid growth, and Anxin-China will be able to benefit from the immense development opportunities brought by the "12th Five-Year Plan".

The Group is endeavour to become the largest ISD solutions and operation service provider in China. I believe, with Anxin-China working harmoniously together at all levels, we will grasp the ample market opportunities and achieve a sustainable and rapid growth.

Liu Zhongkui
Chief Operating Officer

Hong Kong, 29 March 2011

FINANCIAL HIGHLIGHTS

For the twelve months ended 31 December 2010, the consolidated turnover of the Group amounted to approximately HK$304,970,000 (2009: HK$43,490,000), representing an increase of approximately 6 folds over the corresponding period last year. Gross profit margin was approximately 85% (2009: 83%). Profit for the year was approximately HK$244,909,000 (2009: loss of HK$570,145,000), making a turnaround as compared with 2009. Basic earnings per share was HK16.44 cents (2009: loss of HK107.44 cents) and diluted earnings per share was HK11.66 cents (2009: loss of HK107.44 cents). Basic earnings per share after elimination of discontinued operations was HK11.45 cents (2009: HK1.90 cents).

Turnover from the ISD business and pharmaceutical business amounted to approximately HK$304,970,000 and HK$31,837,000 respectively in 2010 (2009: HK$43,490,000 and HK$83,433,000 respectively). Gross profit margin of ISD business was 85% in 2010 (2009: 83%). The pharmaceutical business was disposed of on 6 August 2010 and contributed a profit after tax of HK$74,378,000 to the Group.

In respect of assets, liabilities and cash flow, for the year ended 31 December 2010, total assets of the Group amounted to HK$1,762,553,000 (2009: HK$1,630,573,000), representing an increase of 8% as compared with 2009. Net cash inflow/(outflow) from operating activities, investing activities and financing activities amounted to HK$314,038,000, HK$(25,103,000) and HK$11,688,000 respectively (2009: HK$21,184,000, HK$27,600,000 and HK$39,739,000 respectively). During the year, capital expenditure amounted to HK$99,870,000 (2009: HK$1,902,000), depreciation and amortization of tangible and intangible assets amounted to HK$57,229,000 (2009: HK$71,199,000). As at 31 December 2010, the Group's total cash and bank balances and borrowings amounted to HK$400,322,000 (2009: HK$92,329,000) and HK$20,483,000 (2009: HK$45,600,000) respectively. The Group had a net cash position of HK$196,409,000 as at 31 December 2010 while the gearing ratio (net debt/equity) as at 31 December 2009 was 61%.

As at 31 December 2010, the Group did not have any significant contingent liabilities (2009: nil). Details of business segments and charge on the Group's assets are set out in Notes 8 and 41 to the consolidated financial statements respectively.

CHANGES IN THE ORGANISATION OF THE GROUP

In August 2010, the Group disposed of all the pharmaceutical manufacturing operations (including Long Master International Limited ("Long Master") and Fujian Nanshaolin Pharmaceutical Co., Ltd. ("Fujian Nanshaolin")) at a consideration of HK$79,000,000. The disposal of the pharmaceutical manufacturing operations enabled the Group to focus on the development of ISD System operations.

Management Discussion and Analysis

BUSINESS REVIEW

The ISD market in China is currently undergoing a rapid development stage. As a pioneer in the industry, the Group's business is growing rapidly along with the strong development momentum in the industry. In 2010, Anxin-China installed a total of three monitoring centers in provinces of Heilongjiang, Jiangsu and Jilin; and 1,947 surveillance points in a total of ten cities and districts out of four provinces of Yunnan, Guizhou, Jilin and Liaoning. As at the end of 2010, Anxin-China has established a total of 21 and 6 ISD monitoring centers for coal mines and multi-industry points respectively, as well as 4,759 and 1,734 surveillance points for coal mine and multi-industry ISD system respectively in eight provinces of the PRC.

Anxin-China ISD system service has extended its coverage to 7 main categories of the 31 categories of origins of peril as stipulated by the State Administration of Work Safety. Through successful completion of numerous large-scale projects in ten provinces, cities and districts, the Group had accumulated extensive industry experience, thereby laying a solid foundation for further development. Looking ahead, the Group will keep abreast to market demand and extend the application of ISD system into the remaining 24 categories of origins of peril. The Group is also proactively extending its business presence to penetrate into different parts of China, and while providing comprehensive customized solutions to clients, contributes to the industry safety in China.

Industry Overview

Anxin-China is an integrated solution provider of Intelligent Surveillance, Disaster Alert & Rescue Coordination Systems in the PRC and is dedicated to the research and development of ISD software, system installation and operation services. The Group is principally engaged in the development of remote detection and monitoring platform and wireless remote real-time detection warning technology. Its businesses comprises of: (i) production of ISD system and application software; (ii) customized ISD solutions according to client's needs; and (iii) ongoing agency and maintenance service for ISD solutions. Currently, Anxin-China products apply on coal mining industry and multi-industry field including oil depot, oil station, hazardous chemicals production and operation warehousing, etc. and government regulatory authorities likes Administration of Work Safety, Administration of Coal Mine Safety and Workplace Emergency Management Center; providing service on timely prediction warning of hidden dangers and emergency rescue on accidents. To protect its intellectual property rights in public security and new high technology and software development in safety production, the Group has applied for and obtained over 30 patents and copyrights in China for its proprietary key research and development technology. The Group has obtained the ISO9001: 2008 Quality Management System Standard Certification.

As the pioneer and leader of ISD industry in China, the Group is the largest coal mining and multi-industry ISD system provider. According to industry statistics, the Group had about 40% and 100% market share of the installed ISD system in coal mines and industry ISD system respectively. The Group is one of panel member of the consultative body to the State on policy and standard setting for coal mining ISD requirements, and is also the only system provider who actively participates in the formulation of ISD system standards in the industry. To the management's knowledge, the Group is among the earliest batch of coal mining ISD system providers endorsed by the Chinese government, as well as the only active multi-industry ISD system provider. During the year, Jiangsu Hongxin Intelligence Technology Co., Ltd. ("Jiangsu Hongxin")（江蘇省洪芯智能技術有限公司）was granted the "State Hi-Tech Enterprise Certification" by Ministry of Science and Technology of the People's Republic of China and Shenzhen Anxin Digital Development Co., Ltd. ("Shenzhen Anxin")（深圳市安芯數字發展有限公司）was granted "The Leading Enterprise of China Software and Information Service Internet-of-Things in 2009-2010" by China Software Industry Association and China Institute for Information Industry Development which further accredited the technological standards of the Group.

The safety production and environmental protection issues brought by economic development have drawn much attention, the Chinese government and the society are investing extensive resources in hope of improving these issues with an aim to achieving "inclusive growth" in economy. Recent occurrence of natural disasters and major coal mine accidents have raised public awareness of safety and protection, leading to the government and the public's concern on safety production and emergency rescue.

ISD System

The application of ISD system can be categorized into coal mining ISD system and multi-industry ISD system. In order to strengthen the security surveillance management, the Chinese government has put forward the concept of ISD system in 2003, and initiated the application of the ISD system in coal mining industry in 2004. In 2008, the Chinese government further defined the application scope for the multi-industry ISD system in 31 types of origins of peril (including coal mine, warehouse, gas station, oil depot, open-pit mine, non-coal underground mine, construction site, operation of dangerous chemicals, transportation of toxic material and radiation source etc.) that may cause massive injuries and death, with the intention to impose the ISD system requirement over the 31 types of origins of peril over a period of 10 years.

At present, the ISD system is directly constructed and monitored by the State Administration of Work Safety, a bureau under the State Council. The two sub-bureaus of the State Administration of Work Safety, namely the State Administration of Coal Mine Safety and National Workplace Emergency Management Center, are responsible for constructing and monitoring coal mining ISD system and multi-industy ISD system covering the 30 types of origins of peril respectively.

Through sensors installed in dangerous regions such as coal mines, gas stations and construction sites that will result massive injuries and death, indicative information that are related to safety production are being collected and be sent by the ISD system to the data processors located at the surveillance points, then further to the monitoring centres at different government levels through public network like dedicated optical cable, satellite and GPRS. The system is designed to assist government departments and safety monitoring bodies to achieve remote real-time monitoring on origins of peril, providing intelligent disaster warning and eradicating the potential danger in time. In addition, the system provides dynamic information and intelligent solutions for related bodies when making emergency rescue decisions.

Internet-of-Things

ISD system is a form of successful practice of feasible practical application under the Internet-of-Things technology. Internet-of-Things is defined as connecting all objects with internet through data sensors (such as radio frequency identification (RFID), infrared sensor, global positioning system and laser scanner) to perform information exchange and communication, achieving intelligent identification, positioning, tracking, monitoring and management. The Machine-to-Machine ("M2M") technology was first applied widely on Internet-of-Things. It refers to the technology that enables communication between devices via cable or wireless system to objects without human intervention. These objects may be industry equipment, ammeters, medical equipment, transportation devices, mobile telephones, motor vehicles, vending machines, home appliances, body-building equipment and buildings, bridges, highways, railroads etc. These objects equipped with embedded communication technology products different types of communication protocols, other devices and IT systems, providing continuous, real-time and specific particulars information. In a broader perspective, M2M also includes the interactive activities between human and machines (Mobile-to-Machine).

The website of the China Public Security, an authoritative website for the security and protection products industry in China, states that "In the world of Internet-of-Things, all sensing devices are connected to form a multi-tentacle sensing network. This requires not only our sensing device to "feel", but also "identify" and "analyze", and then transmit the identified and analyzed information to the supporting application centre for decision making."

The Internet-of-Things is widely applied on Internet through intelligent sensing, identification technology and pervasive computing, and is named as the third wave of the world's information industry development following computers and Internet. In October 2010, the 12th Five-Year Plan Proposal formulated by the Chinese government clearly states the promotion of the research and development of Internet-of-Things and its applications; places emphasis on information sharing and inter-connection, the strengthening of the construction of digital national government affairs network to integrate and upgrade the capabilities of government public services and administration; and ensuring the security of base information network and important information systems.

RESEARCH AND DEVELOPMENT

The competition of the domestic ISD market is mainly based on: (1) quality of system and service; (2) ability to meet customer' need; (3) system capacity and processing ability; (4) reliability and stability of system; and (5) successful cases of system providers. With a sizable territory, the geographical features and socioeconomic development level of different regions in China vary significantly. As a result, the demand for ISD system in different regions varies, and competent system providers must be able to promptly provide customized ISD according to customers' needs. As the ISD system plays a vital role in the regulatory authorities in monitoring the areas under control, the stability and reliability of the systems are crucial. Currently, to the management's knowledge, the Group is the only security protection enterprise where its ISD system is compatible with all communication platforms, including different network platforms such as dedicated optic-fibre, wireless GPRS/CDMA, satellite, ADSL, telephone and power line. And on information transmission, the distinctive feature of our proprietary technology's relatively low network bandwidth requirement while ensuring accuracy of information transmitted has accredited our absolute technological and cost advantage. With regard to information processing, the Group has significantly improved its system processing ability by using the distributed cloud-computing technology, enabling it to perform synchronized process and analysis of large volume of data. To the management's knowledge, currently Anxin-China is the only enterprise that can facilitate a monitoring center to achieve real-time remote monitoring of over 1,000 surveillance points in the industry.

The Group will continue to invest in research and development activities, and the key development aspects in future include, among other things, (1) intelligent safety warning platform based on cloud-computing; (2) multi-functional emergency rescue platform; (3) second generation data processor (being the upgraded version of existing data processor); (4) integrated comprehensive information system for human protection; and (5) other software systems.

PROSPECT AND OUTLOOK

Policy Support

The Chinese government had implemented various policies to promote safety production. In 2005, implementation of coal mining ISD system was officially incorporation into the "11th Five-Year Plan". In 2008, State Administration of Work Safety defined 31 types of origins of peril that can cause massive injuries and death and planned to incorporate them into the ISD system within a decade. The "12th Five-Year Plan" proposal suggests increasing investment in public safety, enhancing safety production, perfecting the prevention, warning and emergency handling system for incidents and disasters on public health, food safety and social safety; as well as promoting the research and development of Internet-of-Things and its applications. As ISD systems in China are directly constructed and monitored by the safety surveillance authorities under the local governments, the wide spread promotion of safety production and enhanced emergency rescue capability provides the strong driving force for robust development of ISD system market in China.

Currently, as the number of surveillance points with installed ISD system in China accounted for less than 1% of total surveillance points envisaged. As a result, the ISD system market will bound to an explosive growth in future. As the only active ISD system solution provider that operates on both the coal mining ISD system as well as multi-industry ISD system in China, it is believed that enormous opportunities will prevail in future.

Development Strategy

In respect of market distribution, Anxin-China foreseen the opportunities in the ISD market and quickly gained market share in various provinces including Yunnan, Jilin, Liaoning, Guizhou, Jiangsu, Sichuan, Heilongjiang and Guangdong during 2009 and 2010. In 2010, the Group set up its Eastern China base in Jiangsu Province, covering regions such as Jiangsu, Anhui, Shanghai, and Shandong. At the meantime, Anxin-China plans to further expand its domestic sales and marketing network to seize market opportunities and expand market coverage. At the same time, the Group will actively seeking vertical integration opportunities in the industry by acquisition of suitable upstream enterprises in order to expand business scale rapidly, enhance overall efficiency and demonstrate our presence as the market leader.

WHAT IS "INTERNET-OF-THINGS"?

"…In the world of Internet-of-Things, the sensing devices are connected to form a multi-tentacle sensing network. This requires not only the sensing equipment to have "feelings", but also the ability to "identify", "analyze" and communicate the findings back application centre for decision making…"– China Public Security.com

OVERVIEW

Anxin-China is an integrated solution provider of ISD systems in the PRC and is dedicated to the research and development of ISD system software, system installation and operation services. The Group is principally engaged in the development and production of remote detection and monitoring platform and remote wireless real-time detection technology on ISD solutions which covers: (i) ISD system and application software; (ii) customized ISD solutions; and (iii) ongoing agency operation and maintenance services for ISD solutions. Currently, Anxin-China's products cover coal mining industry, multi-industry field (oil depot, oil station, hazardous chemicals production and warehousing, etc.) and regulatory authorities including the Administration of Work Safety, Administration of Coal Mine Safety, Production Safety Emergency Control Center, supporting their real time monitoring and emergency rescue function. To protect its owned independent intellectual property rights in public security and safety production in new high technology and software development, Anxin-China has applied for and obtained a total of over 30 patents and copyrights in PRC for its proprietary key research and development technology and obtained the ISO9001: 2008 Quality Management System Standard Certification.

In 2005, the Group participated in the study and formulation of the national standard for the automatic on-ground monitoring, control and management system in coal mine safety production, a fund project for the electronic information industrial development organized by the Ministry of Industry and Information Technology. Apart from Anxin-China, other organizations that had participated in this standard formulation include China Institute of Information Industry Development, Xi'an University of Science and Technology, Beijing CCID Info Tech Inc., Beijing Fulitong Energy Engineering Technology Co., Ltd., China Electronics Standardization Institute, Zhejiang Jec Electronic Co. Ltd. and the 36th research laboratories of China Electronics Technology Group etc.

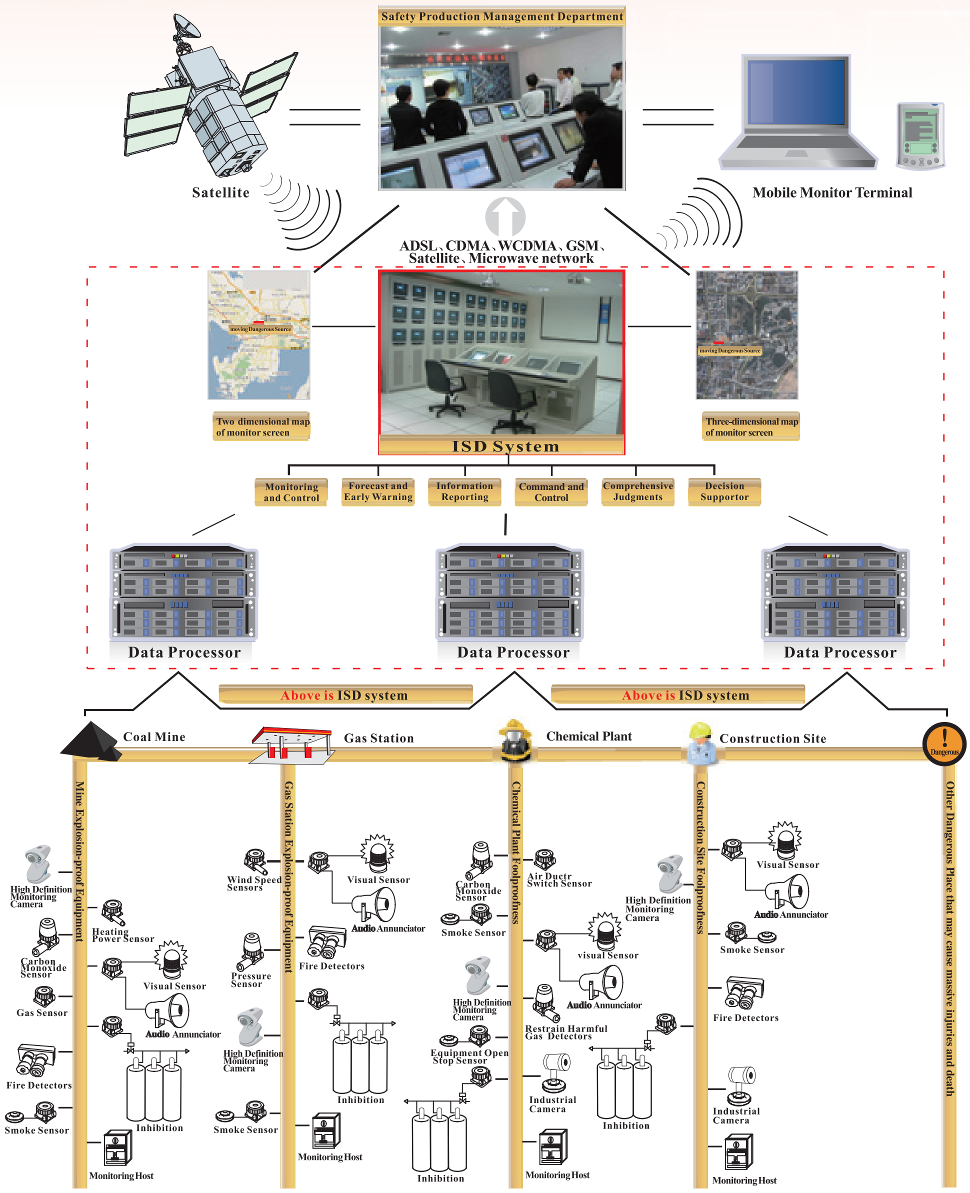
At present, the State Administration of Work Safety, a direct body under the State Council, monitors and constructs the ISD system. The body has two sub-bodies, namely the State Administration of Coal Mine Safety and National Workplace Emergency Management Center, who are responsible for the monitoring and constructing of ISD system in coal mines and various industries covering in total 30 types of serious origins of peril (such as storage tank area, gas station, storage area, open pit, non-coal mine, construction site, operation of dangerous chemicals, transportation of toxic materials and radioactive devices etc.) respectively.

The Group believes the competitiveness of China ISD market is mainly based on: (1) system and service quality; (2) ability to meet customer demand; (3) system capacity and processing ability; (4) system reliability and stability; and (5) track records of system providers. Given that the ISD system plays a very important role for the regulatory authorities in monitoring the key areas under their administration, we believe that the stability and reliability of the systems and the successful projects in many regions are key customers considerations in system provider selection.

Summary of the ISD Business

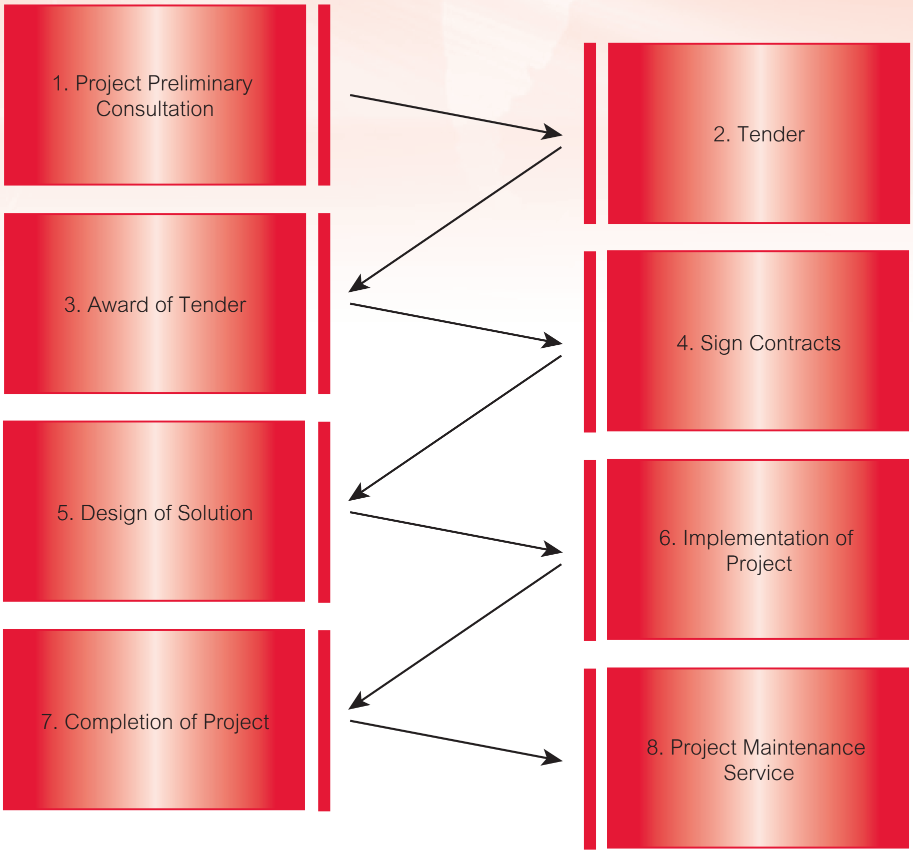
The key strength of Anxin-China's monitoring and control system is mainly evidenced by its bottom-up approach to the development of all of its communication protocol interface, software from protocol stack and boot loader, as well as its highly stable and reliable operating system platform. In data processing, we apply distributed cloud computing technology to significantly enhance the system's ability in data processing and analysis. In data transmission, our system platform has great compatibility and optimizes the compression, conversion and encryption of mass data transmission across platforms including wireless network, wire network and satellite. Our system platform has an apparent cost advantage as it requires relative lower network bandwidth but without compromising the accuracy of data transmission.

The following chart is the operating model of Anxin-China ISD system:



OPERATING MODEL

The Group customizes the alarm system solutions according to customers' requirements. The following chart is the operating flow of a typical ISD solution project of the Group:



1. Project Preliminary Consultation

Mainly by going through negotiations with government principals identified by the Group on potential ISD projects, and aim to establish good relationship with the customers through detail studies and earnest introductions on our products.

2. Tender

Based on project size, requirements, technical level and project duration, the Group's tender team will carry out a detailed study of the project on technologies, business conditions and tender qualifications, prepare tender proposal, design a preliminary solution and submit the tender proposal.

Summary of the ISD Business

3. Award of Tender

The tender evaluation committee will evaluate and select the winning bid based on evaluation criteria.

4. Sign Contracts

Owner of the ISD projects will enter into contract with the successful bidder based on tender specification proposal.

5. Design of Solution

After winning the project through tender, the Group will work on an integrated solution based on the ISD project requirements and specifications listed by project owner, including software design and procurement of hardware equipments. The design of ISD overall solution includes demand analysis design, system function analysis and principle solution design, etc.

6. Implementation of Project

A designated project manager will be responsible for managing the entire project implementation. The implementation process includes detailed specific project design solution, project planning, procurement of materials and components, customer liaison, project construction and overall project management. Upon completion, the Group will conduct internal review, inspection and tests for customers' acknowledgement. As the Group mainly sells software, it sources hardware from other well-known factories such as IBM, Hewlett-Packard, Dell and other leading PRC vendors.

7. Completion of Project

After completing the inspection and review, the ISD system will be handed over to customers.

8. Provide Maintenance Service

Maintenance and supporting service includes hardware maintenance and supporting service and software maintenance and supporting service. Hardware maintenance and supporting service mainly refers to the provision of maintenance and supporting service for the host system, server, storage device, network device and network security device, and hardware suppliers of such hardware will be responsible for those maintenance and service, where Anxin-China will assist in the co-ordination. Software maintenance and supporting service mainly refers to the provision of fault elimination service, preventive maintenance service, software management service, software product upgrade, software communication and supporting service, software configuration and optimization service, backup and recovery of software and data, and technology exchange for ISD software system.

DIRECTORS

Executive Directors

Mr. Zhong Houtai（鍾厚泰）, aged 54, is the Chairman of the Company. Mr. Zhong is a representative of the tenth provincial people's congress of Fujian. In June 2004, he was named as one of the "Top 100 Outstanding Entrepreneurs in China" by Wu Bangguo, chairman of the Standing Committee of the National People's Congress. Mr. Zhong was appointed as the deputy president of the Association of Sino-foreign Entrepreneurs of Fujian Province（福建省中外企業家聯誼會）in 2001. Mr. Zhong was accredited as New Long March Pioneer（新長征突擊手）by the Fuzhou Committee of the Communist Youth League of China in 1983 and Model Labour of Fuzhou（福州市勞動模範）by the People's Government of Fuzhou City in 2001. Mr. Zhong has more than 10 years of experience in production management and had also been engaged in various sectors including cultivation, food and agriculture.

Mr. Zhong Houyao（鍾厚堯）, aged 57, is a Director of the Company. Mr. Zhong was qualified as a senior engineer by the Fujian Province Title Reform Committee（福建省職稱改革領導小組）in 2000. Mr. Zhong graduated from Fujian Normal University（福建師範大學）in 1982. He taught in Fujian Qiaoxing Light Industry School（福建省僑興輕工學校）from 1982 to 1991 and was the leader of the Scientific Research Team.

Mr. Yang Ma（楊馬）, aged 33, is a Director of the Company. Mr. Yang is currently the Vice General Manager and Manager of the Sourcing Department of Shenzhen Anxin, and is responsible for the supervision and management of the sourcing activities of Shenzhen Anxin. He graduated from Huaiyin Institute of Technology（淮陰工學院）in 2000. Mr. Yang once worked in Cement plant in Hongze Preferecture of Jiangsu Province（江蘇省洪澤縣水泥廠）, responsible for supervision and management of sourcing activities, and has nearly 10 years of experience in sourcing management. He joined Shenzhen Anxin in 2003 and became the senior management of the Group after the Group had acquired Shenzhen Anxin in October 2009.

Mr. Lin Supeng（林蘇鵬）, aged 29, is a Director of the Company. Mr. Lin is currently the Chief Officer of the Technical Department of Shenzhen Anxin and is responsible for the supervision and management of the said department, including development of system software and application software. Mr. Lin holds a degree of Bachelor of Science in 數學與應用數學（信息與計算科學）(Mathematics and Applied Mathematics (Information and Computational Science)) from 深圳大學 (Shenzhen University) and a degree of Master of Information Technology from The University of Queensland, Australia. Mr. Lin is knowledgeable in computer programming and has extensive experience in software development project management. He joined Shenzhen Anxin in May 2009 and became the director of the Group in February 2010.

Directors, Senior Management and Staff

Independent Non-executive Directors

Mr. Cheung Chuen（張全）, aged 37, graduated from the accounting department of Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1999 and obtained a Master degree in accounting from Hong Kong Polytechnic University in 2004. Mr. Cheung is currently a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He has more than 10 years' experience in accounting and auditing and is currently qualified to practise as a certified public accountant in the US and Hong Kong. Mr. Cheung joined the Group as independent non-executive director in September 2004. He is also an independent non-executive director of Kingwell Group Limited (stock code: 1195), a listed company in Hong Kong and an executive director of China High Precision Automation Group Limited (stock code: 591), a listed company in Hong Kong.

Mr. Pei Renjiu（裴仁九）, aged 45, graduated from Bangfu Academy of Medical Sciences（蚌阜醫學院）in 1990, majoring in pharmacology. Mr. Pei has been granted various awards. In 1997, one of Mr. Pei's theses was accredited with a first honours award by the chief logistic department of the People's Liberation Army（中國人民解放軍總後勤部）and in 1994 and 1995, two of Mr. Pei's theses were accredited with a third honours award by the logistic department of the Nanjing military zone of the People's Liberation Army（中國人民解放軍南京軍區後勤部）. Mr. Pei was appointed as independent non-executive Director in April 2003.

Mr. Li Kai Ming（李開明）, aged 67, graduated from Jimei Light Industrial School（集美輕工業學校）in 1962, majoring in industry planning statistics. Mr. Li was the chief of Financial Bureau of Fuqing（福清市財政局）from 1996 to 2002 and was appointed as visiting professor at China Management Institute（中國管理學院）in 2003. Mr. Li was also a researcher at World Economic Research Centre（世界經濟研究中心）in 2002. Mr. Li was qualified as an economist by the Fuzhou City Title Reform Committee（福州市職稱改革領導小組）in 1992. One of his essays was awarded "First Class Award for Excellent Management Essay in the PRC"（首屆中國優秀領導管理藝術徵文一等獎）in 2000 and his another essay was awarded "Award for International Excellent Essay"（國際優秀論文獎）in 2001. Mr. Li was appointed as independent non-executive Director in July 2003.

SENIOR MANAGEMENT

Mr. Chen Hong（陳洪）, aged 47, is currently the chief executive officer of Shenzhen Anxin and Jiangsu Hongxin. He is the vice president of Shenzhen Security Production and Technology Society and executive chairman（理事長）of Shenzhen Software Industry Association. He graduated from college in 1988. Mr. Chen has 22 years of working experience in security protection and information technology and almost 10 years of experience in ISD system related areas. Mr. Chen worked for Huawei Technologies Co., Ltd.（深圳華為技術有限公司）for 4 years before joining Shenzhen Anxin. Mr. Chen joined Shenzhen Anxin in 1997 and became a member of the senior management of the Group after Shenzhen Anxin was acquired by the Group in October 2009.

Mr. Han Zhengzhong（韓正忠）, aged 65, is currently the chief technical officer of Shenzhen Anxin and Jiangsu Hongxin. He graduated from Nanjing University in 1965. Mr. Han is an expert in computer software, majoring in the research of fuzzy mathematical theories and computer applications. He has accomplished 5 scientific research tasks, including National Natural Science Foundation of China Project and Provincial Ministerial Scientific Research Project. His achievements were appraised by experts at provincial level, a leader in the country with international advanced standards. Mr. Han obtained the second-class award in scientific technology progress issued by the Ministry of Education of the People's Republic of China（國家教育部科技進步二等獎）and third-class award in scientific technology progress issued by the Ministry of Electronics（國家電子部科技進步三等獎）. He was accredited as an Outstanding Technology Worker（優秀科技工作者）in Jiangsu Province in January 2000. He was in charge of the research and development and design of human face identification project. He compiled and published two books, namely "Fuzzy Mathematics Application"（《模糊數學應用》）and "A Course in Modern Summary Astronomy"（《現代天文學簡明教程》）respectively. He published over 20 articles in domestic and overseas core journals, such as "Science in China", "Applied Mathematics and Computation" and "Chinese Astronomy and Astrophysics". Mr. Han joined Shenzhen Anxin in 2006, and became a member of the senior management of the Group after Shenzhen Anxin was acquired by the Group in October 2009.

Mr. Liu Zhongkui（劉中奎）, aged 29, is currently the chief operating officer of Shenzhen Anxin and Jiangsu Hongxin. He obtained a Bachelor Degree in Engineering in Computer Science from Nanjing University of Technology（南京工業大學）in 2005. From December 2004 to June 2005, he worked in the technical department and responsible for in the research and development of real-time system data collection procedures. From July 2005 to May 2007, he worked in the technical department and responsible for in the research and development of security surveillance system center procedures. From June 2007 to November 2009, he was responsible for implementation of engineering projects and led the team towards the successfully completion of various projects. Since December 2009, he is responsible for business marketing and corporate management.

Directors, Senior Management and Staff

Mr. Wang Qiao（王橋）, aged 44, is currently the senior technical consultant of Shenzhen Anxin and Jiangsu Hongxin and his major research focus is image processing and sensor related application technologies. He is a professor, director and PhD tutor of National Key Discipline of Signal and Information Processing of Southeast University（東南大學）. From 2003 to 2004, he was a senior visiting scholar of Engineering and Applied Science Department of Harvard University, USA and was engaged in the cooperation and research of signal analysis discipline. During the past decade, he issued nearly 20 academic articles including "Image and Vision Computing", "Computer Vision and Image Understanding", "IEEE Transactions on Signal Processing", "Computers and Mathematics with Applications", "Nano Letters", "Frontiers in Bioscience" and "Wireless Personal Communications" in a series of leading international periodicals. At the same time, he published a series of articles in international top-class academic conferences in respect of information and technology discipline, including ICC, ICASSP, ISIT and GlobeCom. In 2009, he also published "Digital Image Processing" (《數字圖像處理》) (the scheduled textbook materials of Chinese Academy of Science, published by Science Press).

Mr. Li Jilin（李季檁）, aged 31, is currently the project manager of Shenzhen Anxin. He is a senior engineer and obtained a Bachelor Degree in software engineering from Southeast University in 2004. He also obtained a Master Degree in engineering from the Department of Computer of Shanghai Jiaotong University in 2007, majoring computer software and theory. Mr. Li learned and worked for various well-known enterprises, such as Motorola, Omron and SHARP, during which he accumulated extensive experience in software engineering and product design. He once designed and developed "Automation testing system for smart mobile phones", "High precision 3D measurement simulation system", "Large-scale image retrieval system", "Automatic Identification System for form", "Document and image retrieval system" etc. independently. He has been responsible for the development and management of new hardware and software technology as well as the technical research and development of intelligent image identification, especially conducted large volume of work in high-speed algorithm and product miniaturization in recent years. He had successfully developed an embedded intelligent control identification system with accuracy and speed reaching the domestic advanced standards.

Ms. Yu Wing Sze（余詠詩）, is the Financial Controller and Company Secretary of the Group. Ms. Yu holds a Bachelor Degree of Business Administration in Accounting and Finance from the University of Hong Kong. Ms. Yu has over 10 years of working experience related to audit. She joined the Group in September 2010 and is currently responsible for the financial, accounting and company secretarial functions of the Group.

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements.

In prior years and this year, the Group also engaged in the manufacture of pharmaceutical products. However, such operations were being disposed of by the Group on 6 August 2010, and details of which can be found in notes 13 and 39 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 38 of this annual report.

DIVIDENDS

For the purpose of retaining sufficient fund for future business development, the Directors do not recommend the distribution of any final dividend for the year ended 31 December 2010 (2009: HK$Nil). No interim dividend was declared for the six months ended 30 June 2010 (2009: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

The Group made a placing of non-listed warrants in October 2010 of a total of 100,000,000 warrants at the warrant issue price of HK$0.01 per warrant and at an exercise price of HK$1.22 per new share. Each warrant initially carries the right to subscribe for one new share. The net proceeds from warrant placing and proceeds from issue of new shares upon the exercise of the subscription rights attaching to the warrants were used as general working capital of the Group as well as the fund for the Group's development.

During the year, the non-listed convertible notes in the principal amount of HK$692,540,400 were exercised and converted into 1,065,446,770 new shares.

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out on page 40 to the consolidated statement of changes in equity.

Distributable reserves of the Company as at 31 December 2010 amounted to approximately HK$105,133,000 (2009: HK$nil).

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Executive Directors

Mr. Zhong Houtai, *Chairman*
Mr. Zhong Houyao
Mr. Lin Supeng *(appointed on 3 February 2010)*
Mr. Yang Ma *(appointed on 2 June 2010)*
Mr. Sun Daquan *(resigned on 2 June 2010)*
Mr. Chong Hoi Fung *(resigned on 3 February 2010)*

Independent non-executive Directors

Mr. Pei Renjiu
Mr. Li Kai Ming
Mr. Cheung Chuen

Pursuant to the Company's articles of association, Mr. Zhong Houtai, Mr. Pei Renjiu and Mr. Li Kai Ming will retire from office as Directors at the forthcoming annual general meeting of the Company. Mr. Zhong Houyao and Mr. Pei Renjiu, being eligible, will offer themselves for re-election. Whereas Mr. Li Kai Ming will not offer himself for re-election as Director due to retirement, Mr. Li has confirmed that he has no disagreement with the Board, and there is no matter that needs to be brought to the attention of the shareholders.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhong Houtai and Mr. Zhong Houyao have entered into a service contract with the Company respectively for an initial fixed term of 3 years commencing from 24 November 2003, and will continue thereafter until terminated by giving not less than 3 months' notice in writing by either party to the other, and the notice period shall not expire until after the fixed service term. Mr. Zhong Houtai and Mr. Zhong Houyao are entitled to the respective basic salary set out below (subject to an annual increment after the first anniversary of the commencement date of the respective service contracts at the discretion of the Directors of not more than 10% of the annual salary immediately prior to such increase). In addition, for the financial year ended 31 December 2003 and each of the financial years thereafter during the initial term, Mr. Zhong Houtai and Mr. Zhong Houyao are also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to Mr. Zhong Houtai and Mr. Zhong Houyao in respect of any financial year of the Company shall not exceed 5% of the audited net profit of the Company (or as the case may be, combined or, consolidated audited net profit of the Company and its subsidiaries (if any)) (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive Director shall not vote on any resolution of the Directors regarding the amount of the discretionary bonus payable to him. For the year 2010, annual salaries of the executive Directors are as follows:

Name	**2010 Salary**
Mr. Zhong Houtai	HK$ Nil
Mr. Zhong Houyao	HK$ Nil
Mr. Lin Supeng	HK$103,000
Mr. Yang Ma	HK$106,000
Mr. Sun Daquan *(resigned on 2 June 2010)*	HK$12,000
Mr. Chong Hoi Fung *(resigned on 3 February 2010)*	HK$Nil

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company within one year without the payment of compensation (other than statutory compensation)).

The independent non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2010, the interests of certain Directors and chief executive in the shares of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance were as follows:

Director	No. of shares Held (Corporate interest *(Note)*)	Percentage of Interest
Mr. Zhong Houtai	211,720,000	10.18%

Notes:

1. The shares are registered under the name of Elite Achieve Limited.

2. The entire issued share capital of Elite Achieve Limited is legally and beneficially owned by Mr. Zhong Houtai.

3. Under the SFO, Mr. Zhong Houtai is deemed to be interested in all the shares registered in the name of Elite Achieve Limited.

Save as disclosed above, none of the Directors and chief executive or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI.

SHARE OPTION

Particulars of the Company's Share Option Scheme are set out in note 37 to the consolidated financial statement.

As at 31 December 2010, there was no share in respect of which options had been granted and remained outstanding under the Share Option Scheme. On 1 April 2011, 37,000,000 share options were granted under the Share Option Scheme to employees with an exercise price of HK$2.25 per share.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the shareholdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or is existing during the year ended 31 December 2010.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following persons or companies (other than the Directors and chief executives) had interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO and were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follow:

Name of substantial shareholder	**Capacity in which the shares were held**	**Number of shares**	**Number of underlying shares** *(Note 2)*	**Total**	**Approximate percentage of shareholding**
Yang Kezhi	Interest of controlled corporation *(Note 3)*	131,000,000	307,692,307	438,692,307	21.09%
Golden Bright Holdings Limited	Beneficial owner and Interest of controlled corporation *(Note 3)*	131,000,000	307,692,307	438,692,307	21.09%
Talent Eagle Holdings Limited	Beneficial owner *(Note 3)*	76,000,000	307,692,307	383,692,307	18.45%
Chen Hong	Interest of controlled corporation *(Note 4)*	210,000,000	0	210,000,000	10.10%
Jin Yong Investments Limited	Beneficial owner *(Note 4)*	210,000,000	0	210,000,000	10.10%
Top Service Holdings Limited	Beneficial owner *(Note 5)*	148,480,000	0	148,480,000	7.14%
Wang Huiru	Interest of controlled corporation *(Note 5)*	148,480,000	0	148,480,000	7.14%
Niu Cheng Ying	Beneficial owner	11,538,461	124,615,385	136,153,846	6.55%

Notes:

1. The above are all long positions in the ordinary shares of the Company.

2. On 22 October 2009, the Company issued convertible notes (the "Convertible Notes") in an aggregate principal amount of HK$1,179,850,000. There were two tranches within the Convertible Notes, HK$889,850,000 in principal amount of tranche 1 Convertible Notes and HK$290,000,000 in principal amount of tranche 2 Convertible Notes. The issue of the Convertible Notes is used for the acquisition of Shenzhen Anxin. The Convertible Notes, with maturity date of 22 October 2014, are convertible into shares at a conversion price of HK$0.65 per share during the conversion period. As at 31 December 2010, an equivalent amount of HK$503,540,400 tranche 1 Convertible Notes and HK$189,000,000 tranche 2 of Convertible Notes have been converted into ordinary shares of the Company. As at 31 December 2010, the equivalent amount of the remaining balance of tranche 1 Convertible Notes and tranche 2 Convertible Notes are HK$200,000,000 and HK$81,000,000 respectively.

3. The entire share capital of Talent Eagle Holdings Limited is legally and beneficiary owned by Golden Bright Holdings Limited and the entire share capital of Golden Bright Holdings Limited is legally and beneficiary owned by Yang Kezhi. Therefore, Yang Kezhi is deemed to be interested in the 438,692,307 shares held by Golden Bright Holdings Limited and Talent Eagle Holdings Limited under the SFO.

4. The entire share capital of Jin Yong Investments Limited is legally and beneficiary owned by Chen Hong. Therefore, Chen Hong is deemed to be interested in the 210,000,000 shares held by Jin Yong Investments Limited under the SFO.

5. The entire share capital of Top Service Holdings Limited is legally and beneficiary owned by Wang Huiru. Therefore, Wang Huiru is deemed to be interested in the 148,480,000 shares held by Top Service Holdings Limited under the SFO.

Save as disclosed above, as at 31 December 2010, the Directors are not aware of any other person (other than the Directors, whose interests are set out in the paragraph headed "Directors' and chief executive's interests in shares") who has an interest or short position in the share or underlying shares of the Company that was required to be recorded in the register kept by the Company under Part XV of section 336 of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considered that all non-executive Directors to be independent in character and judgment. None of the independent non-executive Directors have relationships or circumstances that are likely to adversely affect their professional judgment and each of the non-executive Director has provided confirmation of his independence to the Group pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Particulars of the independent non-executive Directors are set out in the section headed "Directors, Senior Management and Staff" on pages 15 to 18 of this annual report.

CONNECTED TRANSACTIONS

During the year ended 31 December 2010, apart from those disclosed in note 42 to the consolidated financial statements, the Group had no transactions with any of the related or connected parties.

RETIREMENT SCHEME

The Group provides retirement benefits to its staff. The retirement contributions paid by the Group are based on certain percentage of the relevant portion of the payroll of all eligible employees in accordance with the relevant regulations in the PRC and are charged to the income statement as incurred. The contribution paid for the year ended 31 December 2010 was approximately HK$492,000 (2009: HK$734,000). The Group has made adequate provision in the financial statements in respect of the benefit schemes. In addition, the Group also provides housing and food allowance to its staff.

In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. All Hong Kong based employees and the Group are required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK$1,000 by each of the employee and the Group) on a monthly basis to the fund.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules as its code of conduct for corporate governance, the particulars of which are set out in the section headed "Corporate Governance Report" on pages 27 to 35 of this annual report.

AUDIT COMMITTEE

The annual report of the Group for the year ended 31 December 2010 has been reviewed by the Audit Committee. Details on the composition of the Audit Committee are set out in the section headed "Corporate Governance Report" on pages 27 to 35 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained during the year the amount of public float as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Of the continuing operation, the percentages of the Group's purchases and turnover attributable to major suppliers and customers are as follows:

	2010	2009
	%	%
Percentage of purchases:		
From the largest supplier	**40**	17
From the five largest suppliers	**77**	51
Percentage of turnover:		
From the largest customer	**26**	10
From the five largest customers	**62**	26

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 45 to the consolidated financial statements.

AUDITOR

Crowe Howath (HK) CPA Limited was auditor of the Company for the year ended 31 December 2009 and resigned as auditor of the Company on 6 December 2010. Deloitte Touche Tohmatsu ("Deloitte") was appointed as auditor of the Company on 15 December 2010 and the consolidated financial statements for the year ended 31 December 2010 was audited by Deloitte. A resolution for the re-appointment of Deloitte as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Zhong Houtai
Chairman

29 March 2011

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. Throughout the year ended 31 December 2010, the Group has applied the principles and complied with most of the code provisions and recommended best practices prescribed in the Code on Corporate Governance Practices ("Code") set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). This report describes its corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

BOARD OF DIRECTORS

The Composition of the Board of Directors

As at 31 December 2010 and as at the date of the report, there were seven Board members consisting of four executive Directors and three independent non-executive Directors.

Executive Directors:
Mr. Zhong Houtai *(chairman)*
Mr. Zhong Houyao
Mr. Lin Supeng
Mr. Yang Ma

Independent Non-executive Directors:
Mr. Cheung Chuen
Mr. Pei Renjiu
Mr. Li Kai Ming

The composition of the Board of Directors is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. Each of the Directors' respective biographical details is set out in the section headed "Directors, Senior Management and Staff" of this annual report. The Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group for the year under review. Besides, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors and each of the Directors also does not have any direct or indirect material relationship with the Group.

According to the code provision A2.1 of the Code, the roles of the chairman and the chief executive officer should be segregated. However, the Company has no chief executive officer currently. Mr. Zhong Houtai is the chairman and executive Director of the Company responsible for the Group's operations in the PRC. The responsibility of that of a chief executive officer is currently taken up by the chairman of the Company. If the Company can identify a suitable person with capable leadership, knowledge on Intelligent Surveillance and Alert, Emergency Rescue Command and Control System business and relevant skills and experiences for the post from within the Group or outside, the Company may consider appointing a chief executive officer. Owing to the business nature and scope of the Company, a suitable person shall have profound understanding and experiences on Intelligent Surveillance and Alert, Emergency Rescue Command and Control System business. The Company planned to appoint a chief executive officer responsible for the Group's operation in 2011.

Functions of the Board of Directors

The Board of Directors has separate functions and duties from the managements. The functions and duties of the Board include convening the Shareholders' general meetings; making decisions on the Company's operational plans, financial accounts and profit distribution scheme; formulating merger, separation, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the Shareholders' general meetings. The management is accountable to the Board of Directors and responsible for the day-to-day operations of the Group. Its main functions and duties include production and operation management, organization and implementation of the annual operational plans and investment proposals approved by the Board of Directors, and implementation of the resolutions passed by the Board of Directors. According to the code requirement of the Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. However, no insurance coverage has been purchased for any of the Directors as the Board does not foresee any contingent liabilities against the Group.

Directors' Appointment, Re-election and Removal

Mr. Zhong Houtai and Mr. Zhong Houyao have entered into a service contract respectively with the Company for an initial fixed term of 3 years commencing from 24 November 2003, and will continue thereafter until terminated by not less than 3 months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

According to the code provision A4.1 of the Code, independent non-executive Directors should be appointed for a specific term of service. However, independent non-executive Directors of the Company are not appointed for a specific term as required under the Code, but they are subject to retirement in rotation at the annual general meeting of the Company according to the Articles of the Company.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company within one year without the payment of compensation (other than statutory compensation)).

According to the provisions of the articles of association of the Company (the "Articles"), any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation.

Board meeting and Board Practices

The Board of Directors holds meetings on a regular basis. If necessary, the Board of Directors will convene additional meetings. The Company Secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board of Directors to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board of Directors opinions on matters in relation to the compliance with the procedures of the Board meetings. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

During the year ended 31 December 2010, the Company held 19 Board meetings, and the Directors' attendance records for the meetings held are set out below.

Directors' Attendance at Board Meetings

	Number of Board meeting attended/ Number of Board meeting held
Executive Directors	
Mr. Zhong Houtai *(Chairman)*	19/19
Mr. Zhong Houyao	19/19
Mr. Lin Supeng *(Note 1)*	18/18
Mr. Yang Ma *(Note 2)*	9/9
Mr. Chong Hoi Fung *(Note 3)*	1/1
Mr. Sun Daquan *(Note 4)*	10/10
Independent non-Executive Directors	
Mr. Cheung Chuen	19/19
Mr. Pei Renjiu	19/19
Mr. Li Kai Ming	19/19

Note 1 : Mr. Lin Supeng was appointed as an executive Director of the Company on 3 February 2010. During his appointment period in 2010, there were a total of 18 Board Meetings.

Note 2 : Mr. Yang Ma was appointed as an executive Director of the Company on 2 June 2010. During his appointment period in 2010, there were a total of 9 Board Meetings.

Note 3 : Mr. Chong Hoi Fung was resigned as an executive Director of the Company on 3 February 2010. Before his resignation, there were a total of 1 Board Meeting.

Note 4 : Mr. Sun Daquan was resigned as an executive Director of the Company on 2 June 2010. Before his resignation, there were a total of 10 Board Meetings.

In compliance of Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing over one-third of the Board of Directors. Amongst them, Mr. Cheung Chuen, who is currently a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and has more than 10 years' experience in accounting and auditing, has the appropriate professional qualifications required under Rule 3.10(2) of the Listing Rules. In addition, Ms. Yu Wing Sze, the Financial Controller is a qualified accountant responsible for overseeing of the Group's financial reporting procedures, in compliance of Rule 3.21.

The independent non-executive Directors have participated in Board meetings as well as its various Board committees, and have given their opinions on the decision-making on significant matters by making use of their professional knowledge and experience. They have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. The Board considered that all non-executive Directors to be independent in character and judgement. None of the independent non-executive Directors have relationships or circumstances that are likely to adversely affect their professional judgement and the independent non-executive Directors have made active contribution to protect the interests of the Company as a whole and the legal rights of all of shareholders of the Company, as well as promoting the healthy development of the Company.

Three independent non-executive Directors separately submitted their confirmation letters on their independence, confirming that they had strictly observed the requirements for independence as set out in Rule 3.13 of the Listing Rules during the year under review. Independent non-executive Directors are independent persons of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors. During the accounting period covered by this annual report, the Company had complied with the Model Code. After making inquiry of the Directors, the Company confirmed that the Directors had complied with the provisions of the Model Code.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee on 3 November 2003 with written terms of reference in compliance with the Code. The audit committee has three members, including the Company's three independent non-executive Directors, namely Mr. Pei Renjiu, Mr. Li Kai Ming and Mr. Cheung Chuen. Mr. Cheung Chuen is the chairman of the committee. The duties of the audit committee are to review the Company's annual report and accounts, interim reports and to provide advice and comments thereon to the Board. In addition, the audit committee will consider any significant and unusual items that are, or may need to be reflected in such reports and accounts and must give due consideration to any matter that has been raised by the Company's auditor. The audit committee is also responsible for reviewing and supervising the financial reporting process and the internal control system of the Group. Besides, the audit committee will make recommendations to the Board on matters regarding the appointment of external auditors and auditing fee etc. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that it is necessary. 4 meetings were held during the current financial year. The attendance records for the audit committee meetings are set out below:

Members of the audit committee	Number of audit committee meeting attended/ Number of audit committee meeting held
Mr. Cheung Chuen	4/4
Mr. Pei Renjiu	4/4
Mr. Li Kai Ming	4/4

Nomination Committee

According to the Code, the Company shall set up a nomination committee with a majority of the members thereof being independent non-executive Directors. However, the Company did not establish a nomination committee.

The process and criteria adopted by the Board to select and recommend candidates for directorship are based on assessment of their professional qualifications and experience. The Company is responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. During the year, no Director has been newly appointed.

Remuneration Committee

The Company established a remuneration committee on 5 August 2005. The remuneration committee is led by Mr. Li Kai Ming, an independent non-executive Director. Other members of the remuneration committee include Mr. Pei Renjiu and Mr. Cheung Chuen, both are independent non-executive Directors. The remuneration committee meets at least once a year. The remuneration committee has adopted a defined terms of reference in consistence with the Code and it is available from the Company Secretary at any time.

The duties of the remuneration committee includes making recommendations with respect to the remuneration of the executive Directors for approval by the Board, reviewing and recommending salaries, bonuses, merit plans, reward and recognition strategies, including the appropriation of funds for incentive awards for Directors, and administering and making determinations with regard to the Company's share option scheme.

The attendance record of individual committee members is set out below:

Members of the remuneration committee	Number of remuneration committee meeting attended/ Number of remuneration committee meeting held
Mr. Li Kai Ming	1/1
Mr. Cheung Chuen	1/1
Mr. Pei Renjiu	1/1

Remuneration package for executive Directors

Each of these executive Directors is entitled to the respective basic salary which is reviewed annually. In addition, for the financial year ending 31 December 2003 and each of the financial years thereafter during the initial term, Mr. Zhong Houtai and Mr. Zhong Houyao are also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to Mr. Zhong Houtai and Mr. Zhong Houyao in respect of any financial year of the Company shall not exceed 5% of the audited net profit of the Company (or as the case may be, combined or, consolidated audited net profit of the Company and its subsidiaries (if any)) (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive Director shall not vote on any resolution of the Directors regarding the amount of the discretionary bonus payable to him.

In order to attract, retain and motivate executives and key employees serving any member of the Group or other persons contributing to the Group, the Company has adopted a Share Option Scheme where the principal terms of which are set out in note 37 to the financial statements on pages 95 to 96 of this annual report. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimize their contributions to the Group. The Group also provides retirement benefits to its employees. The retirement contributions paid by the Group are based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC and are charged to the income statement as incurred. In Hong Kong, the Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. All Hong Kong based employees and the Group are required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK$1,000 each of the employee and the Group) on a monthly basis to the fund. In addition, the Group provides housing allowances and meal allowances to its employees.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements

The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

Internal controls

The Board through the audit committee is responsible for maintaining proper internal controls within the Group.

The internal control systems are designed to provide reasonable assurance of the Company's assets, safeguarding them against unauthorised use or disposition by making sure transactions are executed in accordance with management's authorization and that the accounting records are reliable for the preparation of financial information used for the business and publication. The Company has adopted proper procedures with duly assigned levels of authority in areas of financial, operational and compliance controls and risk management to ensure the Company's assets and resources are safeguarded.

During the year, the Board has engaged Crowe Horwath (HK) Corporate Consultancy Limited to perform internal control review to assist the Board in reviewing the effectiveness of the internal control system of the Group. The Board and the audit committee are satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory and will make further improvements.

Auditor's Remuneration

During the year ended 31 December 2010, the fees paid/payable to Deloitte Touche Tohmatsu ("Deloitte"), the auditor of the Company, in respect of audit and non-audit services provided by Deloitte to the Group were as follows:

	2010 **HK$**
Audit services	2,600,000
Non-audit services	
Taxation advisory services	–
Review on 2010 interim results	–
Other services	–
Total:	2,600,000

INVESTOR RELATIONSHIP AND COMMUNICATION WITH SHAREHOLDERS

The Board of Directors recognizes the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. To promote investor relations and communications, meeting with fund managers and potential substantial investors are held frequently. The Company acknowledges that its annual general meeting is an important channel for having direct communication with shareholders of the Company. At the meeting, the Directors and key executives of the Group will answer and explain to shareholders issues relating to the Group's business strategies and financial results.

The Company is dedicated to providing quality and timely disclosure of information to enhance transparency. The Company is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. The Company has also maintained a website at http://www.anxin-china.com.hk which enables shareholders, investors and the general public to have access to the information of the Company on a timely basis.

Deloitte.
德勤

TO THE MEMBERS OF ANXIN-CHINA HOLDINGS LIMITED
(Formerly known as Broad Intelligence International Pharmaceutical Holdings Limited)
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Anxin-China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 107, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2010, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by another auditor who expressed an unmodified opinion on those statements on 23 April 2010.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 29 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Revenue	6	**304,970**	43,490
Cost of sales	7	**(46,232)**	(7,507)
Gross profit		**258,738**	35,983
Investment and other income	9	**38,934**	3,870
Other gains and losses	10	**(628)**	–
Selling and marketing expenses		**(20,146)**	(834)
Administrative expenses		**(30,308)**	(7,889)
Research and development expenses		**(13,934)**	(1,280)
Finance costs	11	**(49,667)**	(15,824)
Profit before tax		**182,989**	14,026
Income tax expense	12	**(12,458)**	(3,931)
Profit for the year from continuing operations	15	**170,531**	10,095
Discontinued operations	13		
Profit (loss) for the year from discontinued operations		**74,378**	(580,240)
Profit (loss) for the year		**244,909**	(570,145)
Other comprehensive income (expense)	14		
Exchange differences arising on translation		**(63,013)**	(2,018)
Total comprehensive income (expense) for the year attributable to owners of the Company		**181,896**	(572,163)
Profit (loss) for the year attributable to owners of the Company:			
– Profit for the year from continuing operations		**170,531**	10,095
– Profit (loss) for the year from discontinued operations		**74,378**	(580,240)
Profit (loss) for the year attributable to owners of the Company		**244,909**	(570,145)
EARNINGS (LOSSES) PER SHARE	19		
From continuing and discontinued operations			
– Basic (HK cents)		**16.44**	(107.44)
– Diluted (HK cents)		**11.66**	(107.44)
From continuing operations			
– Basic (HK cents)		**11.45**	1.90
– Diluted (HK cents)		**8.70**	1.90

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Non-current Assets			
Property, plant and equipment	20	**18,300**	124,539
Prepaid lease payments	21	**–**	2,184
Prepayment for acquisition of non-current assets	22	**96,530**	17,100
Goodwill	23	**1,040,427**	1,040,427
Other intangible assets	24	**115,332**	165,965
		1,270,589	1,350,215
Current Assets			
Inventories	25	**1,925**	8,371
Trade and other receivables	26	**89,717**	177,998
Tax recoverable		**–**	1,660
Cash and bank balances	27	**400,322**	92,329
		491,964	280,358
Current Liabilities			
Trade and other payables	28	**26,344**	152,109
Borrowings	29	**20,483**	31,008
Tax liabilities		**9,111**	11,200
		55,938	194,317
Net Current Assets		**436,026**	86,041
Total Assets less Current Liabilities		**1,706,615**	1,436,256
Capital and Reserves			
Share capital	32	**207,975**	100,430
Share premium and reserves	33	**1,297,521**	742,121
Equity attributable to owners of the Company		**1,505,496**	842,551
Non-current Liabilities			
Borrowings	29	**–**	14,592
Convertible notes	30	**183,430**	564,354
Deferred tax liabilities	31	**17,689**	14,759
		201,119	593,705
		1,706,615	1,436,256

The consolidated financial statements on pages 38 to 107 were approved and authorised for issue by the Board of Directors on 29 March 2011 and are signed on its behalf by:

Zhong Houtai
Director

Yang Ma
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company											
	Share capital HK$'000	**Share premium** HK$'000	**Convertible notes reserve** HK$'000	**Warrant reserve** HK$'000	**Capital reserve** HK$'000	**Statutory reserve** HK$'000	**General reserve** HK$'000	**Special reserve** HK$'000	**Share option reserve** HK$'000	**Translation reserve** HK$'000	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000
At 1 January 2009	46,390	77,994	–	–	–	20,416	33,955	19,608	287	78,139	375,711	652,500
Loss for the year	–	–	–	–	–	–	–	–	–	–	(570,145)	(570,145)
Other comprehensive expense for the year	–	–	–	–	–	–	–	–	–	(2,018)	–	(2,018)
Total comprehensive expense for the year	–	–	–	–	–	–	–	–	–	(2,018)	(570,145)	(572,163)
Share option expired	–	–	–	–	–	–	–	–	(287)	–	287	–
Issue of warrants	–	–	–	1,840	–	–	–	–	–	–	–	1,840
Transaction costs attributable to issue of warrants	–	–	–	(281)	–	–	–	–	–	–	–	(281)
Issue of new shares on exercise of warrants	9,200	30,539	–	(1,559)	–	–	–	–	–	–	–	38,180
Issue of consideration shares on acquisition of subsidiaries	13,100	78,600	–	–	–	–	–	–	–	–	–	91,700
Issue of convertible notes (Restated)	–	–	511,569	–	–	–	–	–	–	–	–	511,569
Issue of shares on conversion of convertible notes (Restated)	31,740	176,919	(89,453)	–	–	–	–	–	–	–	–	119,206
At 31 December 2009 (Restated)	100,430	364,052	422,116	–	–	20,416	33,955	19,608	–	76,121	(194,147)	842,551
Profit for the year	–	–	–	–	–	–	–	–	–	–	244,909	244,909
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–	(63,013)	–	(63,013)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	–	(63,013)	244,909	181,896
Issue of warrants	–	–	–	1,000	–	–	–	–	–	–	–	1,000
Transaction costs attributable to issue of warrants	–	–	–	(128)	–	–	–	–	–	–	–	(128)
Issue of new shares on exercise of warrants	1,000	11,300	–	(100)	–	–	–	–	–	–	–	12,200
Issue of shares on conversion of convertible notes	106,545	622,399	(300,278)	–	–	–	–	–	–	–	–	428,666
Proceeds from exercise of warrants (note 33)	–	–	–	24,400	–	–	–	–	–	–	–	24,400
Reclassification of reserves to retained profits upon disposal of subsidiaries (note 33)	–	–	–	–	–	(20,416)	(33,955)	–	–	–	54,371	–
Waive of amount due to a shareholder	–	–	–	–	14,911	–	–	–	–	–	–	14,911
At 31 December 2010	**207,975**	**997,751**	**121,838**	**25,172**	**14,911**	**–**	**–**	**19,608**	**–**	**13,108**	**105,133**	**1,505,496**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit (loss) for the year		**244,909**	(570,145)
Adjustments for:			
Income tax expense		**12,458**	3,931
Finance costs		**50,651**	17,882
Interest income		**(633)**	(42)
Gain on disposal of subsidiaries		**(83,130)**	–
Depreciation and amortisation		**57,229**	71,199
Inventory write off and write down		**–**	31,814
Impairment loss in respect of property, plant and equipment		**–**	412,515
Impairment loss in respect of intangible assets		**–**	60,022
Net foreign exchange loss		**390**	–
Operating cash flows before movements in working capital		**281,874**	27,176
Decrease (increase) in trade and other receivables		**65,465**	(29,308)
Decrease in inventories		**5,608**	25,483
Decrease in trade and other payables		**(26,731)**	(1,622)
Cash generated from operations		**326,216**	21,729
Income taxes paid		**(10,260)**	–
Interest paid		**(1,918)**	(545)
NET CASH FROM OPERATING ACTIVITIES		**314,038**	21,184
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(50,550)**	(1,902)
Prepayment for property, plant and equipment		**(96,530)**	–
Purchase of intangible assets		**(101)**	–
Amounts advanced to related parties		**(10)**	–
Acquisition of subsidiaries	38	**–**	29,460
Interest received		**633**	42
Repayments by related parties		**25,835**	–
Refund of prepayments for intangible assets		**17,100**	–
Disposal of subsidiaries	39	**78,520**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(25,103)**	27,600
FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of warrants		**12,200**	38,180
Proceeds from issue of warrants		**1,000**	1,840
Proceeds from exercise of warrants pending issuance of shares		**24,400**	–
Transaction costs attributable to issue of warrants		**(128)**	(281)
Repayment of borrowings		**(25,784)**	–
NET CASH FROM FINANCING ACTIVITIES		**11,688**	39,739
NET INCREASE IN CASH AND CASH EQUIVALENTS		**300,623**	88,523
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**92,329**	3,314
Effects of foreign exchange rate changes		**7,370**	492
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by cash and bank balances		**400,322**	92,329

1. GENERAL

The Company is a public limited company incorporated in Cayman Islands on 16 April 2003 and its shares are listed on the Stock Exchange of Hong Kong Limited with effect from 24 November 2003. The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Unit 1903, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong respectively.

With effect from 3 August 2010, the name of the Company has been changed from "Broad Intelligence International Pharmaceutical Holdings Limited" to "Anxin-China Holdings Limited".

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activities of the Group are sale of system hardware and application software for installation of Intelligent Surveillance Disaster Alert & Rescue Coordination ("ISD") Systems and provision of system solutions services and investment holding.

During the year, the Company has disposed its interests in Long Master International Limited ("Long Master") and Fujian Nanshaolin Pharmaceutical Co., Limited ("Fujian Nanshaolin"), which carried out all of the Group's Pharmaceutical manufacturing operations. The disposal constitutes discontinued operation and has resulted in a gain of HK$74,378,000 (see note 13).

2. RESTATEMENT OF PRIOR PERIOD FIGURES

During the year, the directors finalised the measurement of the fair value of the individual components of the Company's convertible notes (comprising the Company's redemption option, the holders' conversion option and the underlying loan component) issued in October 2009 for the acquisition of the entire share capital of Eagle Mascot Limited, details of which are disclosed in note 38.

The convertible notes were measured based on amortised cost but were described as designated at fair value through profit or loss in the consolidated financial statements for 2009. Accordingly, they are now described as financial liabilities measured at amortised cost and the fair value change of the convertible notes described as such in the consolidated financial statements for 2009 are now described as imputed interest on convertible notes.

The finalisation of the measurements of the fair value have resulted in changes in fair values of the loan and equity components of the convertible notes as at the date of the acquisition and change in the amount of the related imputed interest expense for 2009. The amount of share premium has also been restated in respect of those convertible notes converted during the year 2009.

2. RESTATEMENT OF PRIOR PERIOD FIGURES (Continued)

As the convertible notes were issued as part of the consideration for acquisition of Eagle Mascot Limited, the finalisation of the measurement of the fair value of the convertible notes has impact on amount of goodwill arising on the acquisition as well.

Summary of the effects of prior period restatements

The effects of prior year restatements on the financial positions of the Group as at 31 December 2009 are as follows:

	31 December 2009 (originally stated)	Restatements	31 December 2009 (restated)
	HK$'000	HK$'000	HK$'000
Assets and liabilities			
Goodwill	660,225	380,202	1,040,427
Convertible notes (loan component)	(679,856)	115,502	(564,354)
Total effects on net assets	(19,631)	495,704	476,073
Equity			
Convertible notes (equity component)	–	422,116	422,116
Share Premium	297,109	66,943	364,052
Retained profits (accumulated losses)	(200,792)	6,645	(194,147)
Total effects on equity	96,317	495,704	592,021

The consolidated statement of financial position as at 1 January 2009 has not been presented as the above restatements have no impact on that consolidated statement of financial position.

The effects of the prior year restatements on the results for the prior year by line items are as follows:

	2009 (originally stated)	Restatements	2009 (restated)
	HK$'000	HK$'000	HK$'000
Finance costs	–	(15,279)	(15,279)
Fair value change of convertible notes	(21,924)	21,924	–
Total effects on profit (loss) for the year	(21,924)	6,645	(15,279)

2. RESTATEMENT OF PRIOR PERIOD FIGURES (Continued)

Impact on basic and diluted earnings per share

The effects of the above changes on the Group's basic and diluted earnings (losses) per share for the prior year are as follows:

	Impact on basic earnings (losses) per share	**Impact on diluted earnings (losses) per share**
	HK cents	HK cents
Figures before restatements	(108.70)	(108.70)
Adjustments arising from prior year restatements:	1.26	1.26
Figures after restatements	(107.44)	(107.44)

Details of convertible notes are set out in note 30.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (As part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKFRS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendment)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 July 2011.

4 Effective for annual periods beginning on or after 1 January 2013.

5 Effective for annual periods beginning on or after 1 January 2012.

6 Effective for annual periods beginning on or after 1 January 2011.

7 Effective for annual periods beginning on or after 1 February 2010.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised Standards and Interpretations issued but not yet effective (Continued)

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised Standards and Interpretations issued but not yet effective (Continued)

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because certain counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Business combinations

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of system hardware and application software is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

System solution services income is recognised on a time proportion basis over the period of the contract, or when the relevant services are provided.

Revenue from sale of goods is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership has been transferred. Revenue excludes value added tax or other sales taxes and is net of any trade discounts.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or fair value of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement plan and the Mandatory Provident Fund Scheme, are charged as an expense when employees have rendered services entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Research and development expenditure (Continued)

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transactions cost directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets include loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including borrowings, trade and other payables are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the capital reserve. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Convertible notes issued by the Company that contains a redemption option by the Company that is assessed closely related to the host contract is not accounted for separately from the host contract.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible notes (Continued)

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed number of the Company's own equity instruments are classified as an equity instrument. The warrant reserve will be transferred to share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be transferred to retained profits.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Share options granted to employees

The fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Share options granted to employees (Continued)

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical accounting judgement

Functional currency of the Company

In respect of the functional currency of the Company, the directors consider and believe that the functional currency of the Company is and has always been HK$ despite the fact that the following has been disclosed in the 2009 annual report:

"In prior years, the directors regarded HK$ as the functional currency of the Company. During the year ended 31 December 2009, the directors reassessed the Company's functional currency after the acquisition of subsidiaries in October 2009 in which their main operations are located in the PRC. It is expected that currency of the primary economic environment in which the subsidiaries of the Company operates will substantially denominated in Renminbi ("RMB"). Accordingly, the directors determined that the functional currency of the Company should be changed from HK$ to RMB starting from the date of acquisition of subsidiaries. The change of functional currency is applied prospectively from the date of change in accordance with HKAS21 "The Effect of Changes in Foreign Exchange Rates".

The directors consider that the functional currency of the Company is and has always been HK$ as all the transactions of the Company throughout the year including those for the years ended 31 December 2009 and 2010 were denominated in HK$ and recorded in the books and records of the Company using HK$ instead of RMB; and that the Company is an investment holding company in Hong Kong with its investing decisions and financing activities carried out under the economic environment in Hong Kong. The change in the functional currency described in its 2009 annual report was not applied in the preparation of the 2009 financial statements.

Key source of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key source of estimation uncertainty (Continued)

Assessment of useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of intangible assets

The policy for impairment of intangible assets of the Group is based on an evaluation of their recoverable amount with reference to expected future cash flows based on management's estimation. A considerable amount of judgement is required in estimating the expected future cash flows from the Group's pharmaceutical products, system hardware and application software acquired and system solution services provided. If the recoverable amounts are less than the carrying amounts of the intangible assets, impairment may be required.

Impairment of receivables

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Provisions are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. REVENUE

Revenue represents revenue arising on sale of application software and system hardware and system solution service income for the year. An analysis of the Group's revenue for the year from continuing operations is as follows:

	2010	2009
	HK$'000	HK$'000
Sales of application software and system hardware	**267,940**	41,189
System solution service income	**37,030**	2,301
	304,970	43,490

7. COST OF SALES

An analysis of the Group's cost of sales for the year from continuing operations is as follows:

	2010	2009
	HK$'000	HK$'000
Cost of application software and system hardware sold	**10,748**	698
Amortisation of intangible assets	**35,484**	6,809
	46,232	7,507

8. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

With the disposal of the Group's Pharmaceutical business of manufacturing, sale, and research and development of pharmaceutical products on 6 August 2010 (details of the disposal of "Pharmaceutical business" are set out in note 13 and note 39), the Group focuses only on the"Intelligent Surveillance Disaster Alert & Rescue Coordination ("ISD") Systems" operations (which is made up of the sale of system hardware and application software for installation of Intelligent Surveillance Disaster Alert & Rescue Coordination Systems and provision of system solutions services). The results of the discontinued operations are disclosed as a separate line on the face of consolidated statement of comprehensive income, while prior period comparative figures have been restated to present Pharmaceutical business as discontinued operations. Therefore, the Group only has one operating segment in its continuing operations, and no information of segment results and segment assets and liabilities is disclosed for the current year ended 31 December 2010.

8. SEGMENT INFORMATION (Continued)

Geographical information

The directors of the Group consider that the Group's total consolidated revenue and substantial consolidated results are attributable to the market in the PRC in 2010 and that the Group's consolidated assets are substantially located inside the PRC. Accordingly, no geographical information is presented.

Information about major customers

Included in revenues arising from sales of application software and system hardware of HK$267.940 million (2009: HK$41.189 million) are revenues of approximately HK$79.73 million (2009: Nil) which arose from sales to the Group's largest customer. Revenue from this largest customer of the Group contributed over 10% to the Group's revenue for 2010.

The revenue from sale of application software and sale of system hardware is not disclosed separately because they are sold as a package together.

9. INVESTMENT AND OTHER INCOME

	2010 **HK$'000**	2009 HK$'000
Continuing operations		
PRC VAT tax concession (Note)	**38,028**	3,831
Interest income on bank deposits	**633**	37
Sundry income	**273**	2
	38,934	3,870

Note: The PRC VAT tax concession represents the benefits from VAT tax collected from customers on the sale of self-developed software which are eventually retained by the Group according to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Policies for Encouraging the Development of Software and Integrated Circuit Industries" (No. 25 [2000] Cai-Shui).

10. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Net foreign exchange loss	**(628)**	–

11. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Effective interest expense on convertible notes	**47,742**	15,279
Interest on bank loans wholly repayable within five years	**1,925**	545
Total borrowing costs	**49,667**	15,824

12. INCOME TAX EXPENSE

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	**9,528**	4,602
	9,528	4,602
Deferred tax:		
Current year (note 31)	**2,930**	(671)
	2,930	(671)
	12,458	3,931

The Company and those subsidiaries established in the British Virgin Islands are exempted from payment of income tax.

12. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2009: Nil).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC entities is 25% from 1 January 2008 onwards.

According to the Implementation Guidance, there will be a transitional period of five years for the Company's PRC subsidiaries located in Shenzhen Special Economic Zone whereby the applicable income tax rate will be progressively increased to 18%, 20%, 22%, 24% and 25% for the years 2008, 2009, 2010, 2011 and 2012 respectively.

In addition, pursuant to an approval document "Shen Di Shui She Han [2007] No. 132" dated 12 December 2007 issued by the District Tax Bureau of Shekou District, Shenzhen, the Company's subsidiary Shenzhen Anxin Digital Development Co., Ltd. ("Shenzhen Anxin") is qualified as a production enterprise and entitled to EIT exemption for the years 2005 and 2006 and a 50% reduction in the applicable EIT rate for the years from 2007 to 2009. The application of the EIT Law has not altered the entitlement of Shenzhen Anxin. The income tax rate of 10% and 22% are applied for the year ended 31 December 2009 and the year ended 31 December 2010 respectively.

Pursuant to an approval document dated 25 June 2010 issued by the Tax Bureau of Hongze, Jiangsu Province, the Company's subsidiary, Jiangsu Hongxin Intelligence Technology Co., Ltd. ("Jiangsu Hongxin") is qualified as a high-tech enterprise and entitles to EIT exemption for the years 2010 and 2011 and a 50% reduction in EIT for the years from 2012 to 2014.

12. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	HK$'000
Profit before tax (from continuing operations)	**182,989**	14,026
Tax at PRC Enterprise Income Tax rate of 22% (2009: 10%) (Note)	**40,257**	1,403
Tax effect of expenses not deductible for tax purpose	**22,794**	2,226
Tax effect of income not taxable for tax purpose	**(1,790)**	(954)
Effect of tax exemption and different tax rates of group entities	**(48,803)**	1,256
Tax charge and effective tax rate for the year (relating to continuing operations)	**12,458**	3,931

Note: The tax rate represents the applicable tax rate of the Company's major subsidiary, Shenzhen Anxin.

13. DISCONTINUED OPERATIONS

Disposal of pharmaceutical manufacturing operations

On 14 May 2010, the Company entered into a sale agreement to dispose of Long Master and Fujian Nanshaolin, which carried out all of the Group's Pharmaceutical manufacturing operations. The disposal of the Pharmaceutical manufacturing operations is consistent with the Group's long-term policy to focus its activities in the ISD Systems market. The disposal was completed on 6 August 2010, on which date control of the Pharmaceutical manufacturing operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 39.

The profit (loss) for the year from the discontinued operation is analysed as follows:

	1.1.2010 to 06.08.2010	Year ended 31.12.2009
	HK$'000	HK$'000
Loss of pharmaceutical operation for the year	**(8,752)**	(580,240)
Gain on disposal of pharmaceutical operation (see note 39)	**83,130**	–
	74,378	(580,240)

13. DISCONTINUED OPERATIONS (Continued)

Disposal of pharmaceutical manufacturing operations (Continued)

The results of the pharmaceutical operation for the period from 1 January 2010 to 6 August 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 06.08.2010 HK$'000	Year ended 31.12.2009 HK$'000
Revenue	**31,837**	83,433
Cost of sales	**(28,337)**	(64,687)
	3,500	18,746
Investment and other income	**–**	5
Other gains and losses	**238**	(504,351)
Selling and marketing expenses	**(1,221)**	(25,537)
Administrative expenses	**(10,285)**	(67,045)
Finance costs	**(984)**	(2,058)
Loss for the period/year	**(8,752)**	(580,240)

Profit (loss) for the year from discontinued operations include the following:

Depreciation of property, plant and equipment	**12,435**	48,017
Amortisation of intangible assets	**6,493**	16,189
Amortisation of prepaid lease payments	**65**	110
Impairment of property, plant and equipment	**–**	412,515
Impairment of intangible assets	**–**	60,022
Inventory write off and write down	**–**	31,814
Employee benefit expenses	**1,833**	1,694

Cash flows from discontinued operations

Net cash inflows (outflows) from operating activities	**32,135**	(967)
Net cash (outflows) inflows from investing activities	**(31,753)**	5
Net cash inflows (outflows)	**382**	(962)

The carrying amounts of the assets and liabilities of Long Master and Fujian Nanshaolin at the date of disposal are disclosed in note 39.

14. OTHER COMPREHENSIVE INCOME (EXPENSE)

	2010	2009
	HK$'000	HK$'000
Other comprehensive income (expense) includes:		
Exchange differences arising on translating foreign operations:		
Exchange gains arising during the year	**13,113**	(2,018)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations	**(76,126)**	–
Other comprehensive income (expense) (net of tax)	**(63,013)**	(2,018)

15. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations has been arrived at after charging (crediting):

	2010	2009
	HK$'000	HK$'000
Depreciation of property, plant and equipment	**2,752**	74
Amortisation of intangible assets (included in cost of sales)	**35,484**	6,809
Total depreciation and amortisation	**38,236**	6,883
Auditors' remuneration	**2,600**	920
Research and development costs recognised as an expense	**13,934**	1,280
Net foreign exchange losses	**628**	–
Employee benefits expense (including directors' emoluments):		
Post employment benefits		
Defined contribution plans	**119**	47
Other employee benefits	**5,747**	5,008
Total employee benefits expense	**5,866**	5,055
Cost of inventories recognised as an expense	**10,748**	698

16. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2009: seven) directors were as follows:

			2010		
	Fees	Salaries and other benefits	Contributions to retirement benefits schemes	Performance related incentive payments (Note)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Zhong Houtai	–	–	–	–	–
Zhong Houyao	–	–	–	–	–
Chong Hoi Fung[1]	–	–	–	–	–
Sun Daquan[2]	12	–	–	–	12
Lin Supeng[3]	27	71	5	–	103
Yang Ma[4]	18	84	4	–	106
Independent non-executive directors					
Pei Renjiu	28	–	–	–	28
Li Kai Ming	28	–	–	–	28
Cheung Chuen	45	–	–	–	45
	158	155	9	–	322

			2009		
	Fees	Salaries and other benefits	Contributions to retirement benefits schemes	Performance related incentive payments (Note)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Zhong Houtai	–	492	12	–	504
Zhong Houyao	–	36	–	–	36
Chong Hoi Fung	–	–	–	–	–
Sun Daquan	–	36	–	–	36
Independent non-executive directors					
Pei Renjiu	30	–	–	–	30
Li Kai Ming	30	–	–	–	30
Cheung Chuen	45	–	–	–	45
	105	564	12	–	681

1 Chong Hoi Fung resigned on 3 February 2010.

2 Sun Daquan resigned on 2 June 2010.

3 Lin Supeng was appointed on 3 February 2010.

4 Yang Ma was appointed on 2 June 2010.

17. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2009: one) was director of the Company whose emoluments are included in the disclosures in note 16. The emoluments of the remaining five individuals (2009: four) were as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**1,274**	980
Contribution to retirement benefits schemes	**32**	46
	1,306	1,026

Their emoluments were all within HK$1,000,000.

18. DIVIDENDS

No dividends was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: HK$Nil).

19. EARNINGS (LOSSES) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings (losses) per share attributable to the owners of the Company is based on the following data:

	2010 HK$'000	2009 HK$'000 (Restated) (Note)
Earnings (Losses)		
Earnings (losses) for the purpose of basic earnings (losses) per share (profit (loss) for the year attributable to owners of the Company)	**244,909**	(570,145)
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes (net of tax)	**47,742**	–
Earnings (losses) for the purposes of dilutive earnings (losses) per share	**292,651**	(570,145)

Number of shares

	2010 '000	2009 '000 (Note)
Weighted average number of ordinary shares for the purpose of basic earnings (losses) per share	**1,489,569**	530,642
Effect of dilutive potential ordinary shares:		
Convertible notes	**1,013,799**	–
Warrants	**6,681**	–
Weighted average number of shares for the purpose of calculating diluted earnings (losses) per share	**2,510,049**	530,642

Note: The computation of diluted loss per share for the year ended 31 December 2009 does not assume the conversion of the Company's outstanding convertible notes since their assumed exercise would result in a decrease in loss per share.

19. EARNINGS (LOSSES) PER SHARE (Continued)

From continuing operations

The calculation of the basic and diluted earnings (losses) per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings (losses) figures are calculated as follows:

	2010	2009
	HK$'000	HK$'000
		(Restated)
		(Note)
Profit (loss) for the year attributable to owners of the company	**244,909**	(570,145)
Less: Profit (loss) for the year from discontinued operations	**74,378**	(580,240)
Earnings for the purposes of basic earnings (losses) per share from continuing operations	**170,531**	10,095
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes (net of tax)	**47,742**	–
Earnings for the purposes of dilutive earnings per share from continuing operations	**218,273**	10,095

Note: The computation of diluted earnings per share from continuing operations for the year ended 31 December 2009 does not assume the conversion of the Company's outstanding convertible notes since their assumed exercise would result in an increase in earnings per share.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings (losses) per share for the discontinued operations is HK4.99 cents per share (2009: loss of HK109.34 cents per share) and diluted earnings (losses) per share for the discontinued operations is HK2.96 cents per share (2009: loss of HK109.34 cents per share), based on the profit (loss) for the year from the discontinued operations of HK$74.378 million (2009: loss of HK$580.240 million) and the denominators detailed above for both basic and diluted earnings (losses) per share.

20. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2009	209,788	289	399,337	28,577	3,257	641,248
Exchange adjustments	2	8	3	1	1	15
Additions	–	1,770	–	132	–	1,902
Acquisition of subsidiaries	1,701	40	–	13,020	715	15,476
At 31 December 2009	211,491	2,107	399,340	41,730	3,973	658,641
Exchange adjustments	1,254	108	2,206	710	55	4,333
Additions	–	1,894	–	515	830	3,239
Derecognised on disposal of subsidiaries	(210,951)	–	(401,546)	(28,580)	(3,342)	(644,419)
At 31 December 2010	1,794	4,109	–	14,375	1,516	21,794
DEPRECIATION AND IMPAIRMENT						
At 1 January 2009	27,412	289	39,648	2,835	1,161	71,345
Exchange adjustments	684	–	1,367	100	–	2,151
Provided for the year	9,167	–	35,558	3,041	325	48,091
Impairment loss (Note)	137,229	–	257,075	18,211	–	412,515
At 31 December 2009	174,492	289	333,648	24,187	1,486	534,102
Exchange adjustments	1,217	19	1,868	112	26	3,242
Provided for the year	5,641	745	5,193	3,265	343	15,187
Eliminated on disposals of subsidiaries	(181,227)	–	(340,709)	(25,509)	(1,592)	(549,037)
At 31 December 2010	123	1,053	–	2,055	263	3,494
CARRYING VALUES						
At 31 December 2010	1,671	3,056	–	12,320	1,253	18,300
At 31 December 2009	36,999	1,818	65,692	17,543	2,487	124,539

The above items of property, plant and equipment, are depreciated on a straight-line basis at the following rates per annum:

Buildings situated on leasehold land	over the shorter of the term of the lease or 20 years
Leasehold improvements	20%
Plant and machinery	10%
Office and other equipment	20%
Motor vehicles	10%

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying values of the leasehold land payments above comprise land outside Hong Kong held under medium term leases for both years.

Note: In view of the operating losses incurred for the pharmaceutical business during 2009, the Group conducted a review of the carrying amount of the relevant assets of the pharmaceutical business. Based on the valuation report prepared by Jones Lang LaSalle Sallmanns, an independent professional valuer, the Group has recognised an impairment loss of HK$412,515,000 in 2009 for the property, plant and equipment in relation to this business. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. That calculation uses cash flow projections based on the financial budgets approved by management covering a four-year period, and discount rate of 16%. The cash flows beyond the four-year period are extrapolated using a 3% growth rate for eleven years.

Assets pledged as security

The Group has pledged buildings having a net book value of approximately HK$1.671 million (31 December 2009: approximately HK$1.933 million) to secure a bank borrowing granted to the Group.

21. PREPAID LEASE PAYMENTS

Balance at 31 December 2009 represents the land use rights in Fujian Province PRC held under a medium lease by Fujian Nanshaolin.

22. PREPAYMENT FOR ACQUISITION OF NON-CURRENT ASSETS

	2010	2009
	HK$'000	HK$'000
The Group's long term prepayment comprises:		
Prepayment for the acquisition of intangible assets (Note 1)	**–**	17,100
Prepayment for the acquisition of property, plant and equipment (Note 2)	**96,530**	–
	96,530	17,100

Note 1: The amount represents payment made by the Group during the year ended 31 December 2007 for the acquisition of prescription in the pharmaceutical segment. In current year, both contractual parties agreed to cancel the transaction, and the amount was refunded in March 2010.

Note 2: The amount represents prepayment to a vendor for the acquisition of a property located in Hongze Preferecture of Jiangsu Province, at a consideration of RMB82,000,000 (equivalent to approximately HK$96,530,000). The vendor is a company which is indirectly and wholly controlled by two directors of Shenzhen Anxin. The transaction was approved at the extraordinary general meeting of the Company held on 21 February 2011.

23. GOODWILL

	HK$'000
Balance at 1 January 2009	–
Arising on acquisition of subsidiaries (see note 38)	660,225
Balance at 31 December 2009 (as originally stated)	660,225
Restatement (see note 2)	380,202
Balances at 31 December 2009 (as restated) and at 31 December 2010	1,040,427

As described in note 2 and 30, the initial recognition amount of convertible notes has been changed from HK$799,648,000 to HK$1,179,850,000. With the consideration for the acquisition of the entire share capital of Eagle Mascot Group increased by HK$380,202,000, the carrying amount of goodwill has been increased from HK$660,225,000 as previously stated to HK$1,040,427,000.

For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit (CGU), that comprises three subsidiaries in the ISD System business segment.

During the year ended 31 December 2010, management of the Group determines that there is no impairment of the above CGU containing goodwill.

The recoverable amount of the above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on the financial budget budgets approved by management covering a two-year period, and discount rate of 17.17% (2009: 16.17%). The cash flows beyond the two-year are extrapolated using a 3% (2009: 3%) growth rate for eight years. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its aggregate recoverable amount.

24. OTHER INTANGIBLE ASSETS

	Patents HK$'000	Technology HK$'000	Customer base HK$'000	Unfinished contracts HK$'000	Total HK$'000
COST					
At 1 January 2009	144,096	–	–	–	144,096
Exchange adjustments	1	–	–	–	1
Acquisition of subsidiaries (Note 1)	–	122,621	21,613	13,203	157,437
At 31 December 2009	144,097	122,621	21,613	13,203	301,534
Exchange adjustments	796	189	–	–	985
Additions	–	101	–	–	101
Derecognised on disposal of subsidiaries	(144,893)	–	–	–	(144,893)
At 31 December 2010	–	122,911	21,613	13,203	157,727
AMORTISATION AND IMPAIRMENT					
At 1 January 2009	52,192	–	–	–	52,192
Exchange adjustments	357	–	–	–	357
Charge for the year	16,188	4,523	797	1,490	22,998
Impairment loss (Note 2)	60,022	–	–	–	60,022
At 31 December 2009	128,759	4,523	797	1,490	135,569
Exchange adjustments	743	101	–	–	844
Charge for the year	6,493	23,561	4,156	7,767	41,977
Eliminated on disposal of subsidiaries	(135,995)	–	–	–	(135,995)
At 31 December 2010	–	28,185	4,953	9,257	42,395
CARRYING VALUES					
At 31 December 2010	–	94,726	16,660	3,946	115,332
At 31 December 2009	15,338	118,098	20,816	11,713	165,965

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over their estimated useful lives, as follow:

Patents	5 – 10 years
Technology, customer base and unfinished contracts	2 – 5 years

24. OTHER INTANGIBLE ASSETS (Continued)

Note 1: Intangible assets arising from the acquisition of Eagle Mascot Limited and its subsidiaries included technology, customer base and unfinished contacts. Based on valuation report prepared by Jones Lang LaSalle Sallmanns, an independent professional valuer, the Group has recognised the intangible assets of HK$157,437,000 upon acquisition in 2009. The valuation was arrived at using income approach and the discount rates used in measuring the fair values of technology, customer base and unfinished contacts were 17.23%, 17.23% and 16.23% respectively, while cash flow forecast periods were 5 years, 5 years and 2 years respectively.

Note 2: In view of the operating losses incurred for the pharmaceutical segment during 2009, the Group conducted a review of the carrying amount of the relevant intangible assets. Based on the valuation report prepared by Jones Lang LaSalle Sallmanns, an independent professional valuer, the Group has recognised an impairment loss of HK$60,022,000 in 2009 for the patents in relation to this segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate used in measuring the amount of value in use was 16%.

25. INVENTORIES

	2010	2009
	HK$'000	HK$'000
Raw materials	**999**	1,944
Finished goods	**926**	6,427
	1,925	8,371

26. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	HK$'000
Trade receivables	**66,100**	104,374
Less: allowance for doubtful debts	**–**	–
	66,100	104,374
Other receivables	**11,673**	10,838
Due from related companies (note 42)	**10**	25,835
Prepayments and deposits	**11,934**	36,951
	89,717	177,998

26. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 180 days and 90 days to its trade customers on application software & system hardware and solution service income respectively, while the retention monies held in relation to the application software are receivable 12 months after installation of software. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period.

	2010	2009
	HK$'000	HK$'000
0 – 30 days	**9,496**	42,666
31 – 60 days	**15,381**	6,039
61 – 90 days	**14,843**	36,699
91 – 180 days	**20,261**	2,111
181 – 365 days	**2,505**	16,302
Over 365 days	**3,614**	557
	66,100	104,374

Of the trade receivables balance at the end of the year, HK$23.75 million (31 December 2009: HK$30.05 million) is due from the Group's largest customer. There are another five customers (31 December 2009: four customers) who represent more than 5% of the total balance of trade receivables. These customers are governmental bureaus with no history of default in the past.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	HK$'000
Overdue within 1-30 days	**1,370**	–

27. CASH AND BANK BALANCES

Bank balances carry interest at market rates which range from 0% to 2.75% (2009: 0% to 0.36%) per annum.

28. TRADE AND OTHER PAYABLES

	2010 HK$'000	2009 HK$'000
Trade payables	**796**	1,396
Other payables	**5,328**	27,869
Construction payables	**–**	62,850
Other PRC tax payables	**18,567**	7,292
Amount due to shareholder	**–**	500
Amount due to related parties (note 42)	**1,413**	9,521
Advance from customers	**239**	150
Dividend payable	**1**	42,531
	26,344	152,109

The amount due to shareholder was repayable on demand and non-interest bearing.

The opening balance of dividend payable mainly represents dividend declared by Shenzhen Anxin to its shareholders before acquisition by the Group, which has been paid out in current year.

The average credit period on purchase of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2010 HK$'000	2009 HK$'000
0 – 30 days	**160**	454
31 – 60 days	**–**	–
61 – 90 days	**12**	400
91 – 180 days	**122**	40
181 – 365 days	**–**	436
Over 365 days	**502**	66
	796	1,396

29. BORROWINGS

	2010	2009
	HK$'000	HK$'000
Secured bank loans	**20,483**	45,600
Carrying amount repayable:		
On demand or within one year	**20,483**	31,008
More than one year, but not exceeding two years	**–**	14,592
	20,483	45,600
Less: Amounts due within one year shown under current liabilities	**(20,483)**	(31,008)
	–	14,592

The balance at 31 December 2009 included two loans, of which one with principal amount of RMB20,000,000 (equivalent to approximately HK$22,800,000) was secured by a property of a related company, in which two directors of Shenzhen Anxin has controlling interest. This bank loan was a variable rate loan bearing effective interest at 5.31% (31 December 2009: 5.31%) per annum, and was paid during the year.

Another loan with principal amount of RMB20,000,000 (equivalent to approximately HK$22,800,000) was secured by a corporate guarantee to the extent of HK$22,800,000 executed by an independent guarantee company. The corporate guarantee was secured by a deposit of RMB500,000 (equivalent to approximately HK$588,600) paid to that independent guarantee company and was included in other receivables, a property of the Group with carrying amount of HK$1.87 million as well as a property of a related company, in which two directors of Shenzhen Anxin have controlling interests. This bank loan is a variable rate loan bearing effective interest at 6.16% (31 December 2009: 6.81%). During current year, amount of RMB2,600,000 (equivalent to approximately HK$2,984,000) was repaid pursuant to the terms of the loan contract.

30. CONVERTIBLE NOTES

On 22 October 2009, the Company issued zero coupon convertible notes (the "Convertible notes") in an aggregate principal amount of HK$1,179,850,000 as consideration for the acquisition of Eagle Mascot Group. There were two tranches within the Convertible notes, HK$889,850,000 in principal amount of Tranche 1 Convertible notes and HK$290,000,000 in principal amount of Tranche 2 Convertible notes.

The principal terms of the Convertible notes are as follows:

(a) Optional conversion

Tranche 1 Convertible notes may be converted at the option of the holders at any time, while principal amounts of HK$189,000,000 and HK$81,000,000 of Tranche 2 Convertible notes may be converted at the option of the holders at any time from 12 months and 24 months subsequent to the issue date of the Convertible notes respectively up to the maturity date of the Convertible notes which is 22 October 2014. Subject to adjustments upon the occurrence of various events including share consolidation, share sub-division, capitalisation issue, capital distribution, right issue and issue of convertible securities by the Company, the initial conversion price for the Convertible notes is HK$0.65 per conversion share.

(b) Conversion restrictions

The conversion rights under the Convertible notes shall only be exercisable so long as (i) the aggregate shareholdings of such holder of the Convertible notes, its associates and parties acting in concert with it immediately after such exercise will not be or exceed 25% of the then issued share capital of the Company; (ii) the exercise of the conversion rights under the Convertible notes will not result in such holder of the Convertible notes by itself or taken together with its associates and/or parties acting in concert with it becoming the controlling shareholder of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company which such holder of the Convertible notes would be obliged to make a general offer in force from time to time; (iii) the exercise of the conversion rights under the Convertible notes would not result in such holder of the Convertible notes and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other by virtue of their then respective shareholding in the Company; and (iv) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares can be maintained.

30. CONVERTIBLE NOTES (Continued)

(c) Redemption option of the Company

The Company shall have the right to redeem any portion of the Convertible notes outstanding at an amount equals to the principal amount of the Convertible notes at its sole and absolute discretion at any time and from time to time prior to its maturity.

In the consolidated financial statements for year ended 31 December 2009, the Convertible notes issued were measured on the basis that the conversion option of the holders of the Convertible notes, and the redemption option of the Company carried equal rights, and the fair values of these options offset each other. Accordingly, at initial recognition, the fair value of the Convertible notes were attributable to the fair value of straight loan portion which was derived based on the coupon and principal payment of the Convertible notes, discounted by appropriate bond yield from comparable bonds with similar credit rating and duration. Based on the above assumptions, the initial recognition amount of Convertible notes was HK$799,648,000 in 2009.

During the year, the directors have finalised the measurement of the individual components of the Convertible notes. The conversion price for the Convertible notes denominated in HK$ would always result in settlement of the conversion option by the exchange of a fixed number of the Company's own equity instruments, hence, the equity component represents the conversion option of the holders to convert into the ordinary shares of the Company and the liability component represents the obligation to pay cash, which have been recorded at HK$511,568,893 and HK$668,281,107 respectively as at the date of initial recognition of the Convertible notes.

The liability component of the Convertible notes is measured at amortised cost using discount rate of 12%. The amounts of the equity component of the Convertible notes at initial recognition were determined by using binomial model.

30. CONVERTIBLE NOTES (Continued)

Key inputs into the binomial model were as follows:

	22.10.2009
Stock price	HK$0.70
Exercise price	HK$0.65
Volatility of share price	41%
Risk free rate	1.67%
Dividend yield	0%

The equity component, representing the option to convert into ordinary shares of the Company, will remain in Convertible notes reserve until the embedded option is exercised (in which case the balance stated in Convertible notes reserve will be transferred to share premium). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

In 2009, the Convertible notes in an aggregate principal amount of HK$206,309,600 were converted into the Company's shares at a conversion price of HK$0.65 per share. As a result of the conversion, 317,399,383 new shares were issued.

On 4 January 2010, 5 January 2010, 16 April 2010, 28 April 2010, 17 May 2010, 14 June 2010, 12 July 2010, 19 August 2010, and 17 November 2010, the convertible notes in an aggregate principal amount of HK$33,540,400, HK$10,000,000, HK$130,000,000, HK$23,059,400, HK$97,500,000, HK$2,940,600, HK$6,500,000, HK$200,000,000 and HK$189,000,000 respectively were converted into the Company's shares at a conversion price of HK$0.65 per share. As a result of the conversion, 1,065,446,769 new shares were issued.

30. CONVERTIBLE NOTES (Continued)

The carrying amount movement of the liability component of the convertible notes for the year is set out below:

	2010	2009
	HK$'000	HK$'000
		(Restated)
Carrying amount at the beginning of the year	**564,354**	–
Issued during the period	**–**	668,281
Conversion to share capital	**(106,545)**	(31,740)
Conversion to share premium	**(322,121)**	(87,466)
Interest charge	**47,742**	15,279
Carrying amount at the end of the year	**183,430**	564,354

The principal amount movement of the convertible notes for the year is set out below:

	2010	2009
	HK$'000	HK$'000
		(Restated)
Principal amount at the beginning of the year	**973,540**	–
Issued during the period	**–**	1,179,850
Conversion to share capital	**(106,545)**	(31,740)
Conversion to share premium	**(585,995)**	(174,570)
Principal amount at the end of the year	**281,000**	973,540

31. DEFERRED TAX LIABILITIES

	Intangible assets HK$'000
At 1 January 2009	–
Arising from acquisition of subsidiaries	15,430
Credit to profit or loss	(671)
At 31 December 2009	14,759
Charge to profit or loss	2,930
At 31 December 2010	17,689

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$302,459,000 (2009: HK$37,500,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

	Number of shares		Nominal value	
	2010	2009	**2010**	2009
	'000	'000	**HK$'000**	HK$'000
Authorised:				
4 billion ordinary shares of HK$0.1 each	**4,000,000**	4,000,000	**400,000**	400,000
Issued and fully paid:				
At beginning of year	**1,004,299**	463,899	**100,430**	46,390
Issue of shares on conversion of Convertible notes (Note (a))	**1,065,447**	317,400	**106,545**	31,740
Issue of shares on exercise of warrants (Note (b))	**10,000**	92,000	**1,000**	9,200
Issue of shares on acquisition of Eagle Mascot Limited (Note (c))	**–**	131,000	**–**	13,100
At end of year	**2,079,746**	1,004,299	**207,975**	100,430

32. SHARE CAPITAL (Continued)

(a) On 4 January 2010, 5 January 2010, 16 April 2010, 28 April 2010, 17 May 2010, 14 June 2010, 12 July 2010, 19 August 2010, and 17 November 2010, the Convertible notes in an aggregate principal amount of HK$33,540,400, HK$10,000,000, HK$130,000,000, HK$23,059,400, HK$97,500,000, HK$2,940,600, HK$6,500,000, HK$200,000,000 and HK$189,000,000 respectively were converted into the Company's shares at a conversion price of HK$0.65 per share. As a result of the conversion, 1,065,446,770 new shares were issued.

On 29 October 2009, 23 December 2009, 28 December 2009, 29 December 2009, 30 December 2009 and 31 December 2009, the Convertible notes in an aggregate principal amount of HK$20,000,000, HK$65,000,000, HK$10,467,600, HK$10,842,000, HK$35,500,000 and HK$64,500,000 respectively were converted into the Company's shares at a conversion price of HK$0.65 per share. As a result of the conversion, 317,399,383 new shares were issued.

(b) On 28 October 2010, the Company entered into the warrant placing agreement with an independent placing agent (the "Placing Agent"), whereby the Company appointed the Placing Agent as the sole and exclusive placing agent to procure not less than six placees to subscribe for up to 100,000,000 unlisted warrants (the "Warrants"), on the best effort basis, at the warrant issue price of HK$0.01 per Warrant. The net proceed from issue of warrants amounted to HK$872,000.

The Warrants entitle the placees to subscribe for a maximum of 100,000,000 new shares at an initial subscription price of HK$1.22 per new share (subject to adjustment) for a period of 24 months commencing from (and inclusive of) the date of issue of the Warrants. Each Warrant initially carries the right to subscribe for one new share.

During the year, 10,000,000 warrants were exercised at a subscription price of HK$1.22 per share, resulting in the issue of 10,000,000 ordinary shares of HK$0.1 each on 10 December 2010.

On 21 April 2009, 92,000,000 warrants were issued at the price of HK$0.02 per Warrant and all warrants were exercised at a subscription price of HK$0.415 per share, resulting in the issue of 92,000,000 ordinary shares of HK$0.1 each in the Company. The net proceed from issue of warrants amounted to HK$1,559,000.

(c) During 2009, 131,000,000 ordinary shares of par value HK$0.1 each were issued at a fair value of HK$0.7 per share as part of the consideration for the acquisition of Eagle Mascot Limited. The fair value of the ordinary shares of the Company, determined using the published price at the date of the acquisition, amounted to HK$91,700,000, of which HK$13,100,000 was credited to share capital and the remaining balance of HK$78,600,000 was credited to the share premium account.

33. SHARE PREMIUM AND RESERVES

	2010	2009
	HK$'000	HK$'000
		(Restated)
Share premium (Note 1)	**997,751**	364,052
Convertible notes reserve	**121,838**	422,116
Warrants reserve (Note 2)	**25,172**	–
Statutory reserve (Note 3)	**–**	20,416
General reserve (Note 4)	**–**	33,955
Special reserve (Note 5)	**19,608**	19,608
Capital reserve (Note 6)	**14,911**	–
Translation reserve	**13,108**	76,121
Retained profits (accumulated losses)	**105,133**	(194,147)
	1,297,521	742,121

Note 1: Under the Companies Law (revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Note 2: On 28 October 2010, 100,000,000 unlisted warrants were issued to six placees at the Issue Price of HK$0.01 per warrant and 10,000,000 warrants were exercised on 10 December 2010 (see note 32 for details).

In addition, on 22 December 2010 and 23 December 2010, 10,000,000 warrants and 10,000,000 warrants were exercised respectively at a subscription price of HK$1.22 per share, resulting in the issue of share certificates of 20,000,000 ordinary shares of HK$0.1 each on 3 January 2011. Pursuant to the agreement, after giving irrevocable exercise notices and full payments, the warrant holders are bound to subscribe for the Company's shares, while the Company is also liable to issue share certificates to them. Therefore, the above subscriptions received of HK$24,400,000 were recognised as part of equity as at 31 December 2010.

Note 3: Fujian Nanshaolin, a former indirectly and wholly-foreign-owned subsidiary of the Company, is required to appropriate at least 10% of its after-tax profit (after offsetting prior year losses) to a statutory reserve until the balance of the reserve reaches 50% of its share capital and thereafter any further appropriation is optional. The statutory reserve can be utilised to offset prior year losses, or for the issuance of bonus shares on the condition that the statutory reserve shall be maintained at a minimum of 25% of the share capital after such issuance. With the disposal of Long Master Group in 2010, the statutory reserve of Fujian Nanshaolin has been reclassified to retained profits.

33. SHARE PREMIUM AND RESERVES (Continued)

Note 4: General reserve represents enterprise expansion fund which is non-distributable. Appropriations to such reserve is made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries while the amount and allocation basis are decided by its board of directors annually. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue. With the disposal of Long Master Group in 2010, the general reserve of Fujian Nanshaolin has been reclassified to retained profits.

Note 5: The special reserve of the Group represents the differences between the nominal value and premium of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of the reorganisation.

Note 6: Capital reserve represents the waiver of an amount of HK$14.911 million due to a shareholder of the Company.

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009. The capital structure of the Group consists of net debt (which includes borrowings and convertible notes net of cash and bank balances) and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained profits).

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**478,105**	233,376
Financial liabilities		
Trade and other payables	**26,344**	152,109
Borrowings	**20,483**	45,600
Convertible notes	**183,430**	564,354

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, borrowings, and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management managers and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk management

There is no foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period for respective group entities. And the management considers that the Group's foreign currency risk is minimal.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and borrowings (see note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The directors consider the bank balances are within short maturity period and the effect on fluctuation in interest rates is insignificant.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Loan Rates arising from the Group's RMB denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2009: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2010 would decrease/increase by HK$79,000 (2009: decrease/increase by HK$205,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2010 and 2009, the Group has no available unutilised overdrafts and short-term bank loan facilities.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

In addition, the following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010								
Non-derivative financial liabilities								
Trade and other payables		**26,344**	**–**	**–**	**–**	**–**	**26,344**	**26,344**
Convertible notes		**200,000**	**–**	**81,000**	**–**	**–**	**281,000**	**183,430**
Borrowings	**5.89**	**–**	**20,799**	**–**	**–**	**–**	**20,799**	**20,483**
Total		**226,344**	**20,799**	**81,000**	**–**	**–**	**328,143**	**230,257**
2009								
Non-derivative financial liabilities								
Trade and other payables		152,109	–	–	–	–	152,109	152,109
Convertible notes		703,540	–	189,000	81,000	–	973,540	564,354
Borrowings	6.06	–	610	27,079	20,151	–	47,840	45,600
Total		855,649	610	216,079	101,151	–	1,173,489	762,063

36. RETIREMENT AND BENEFITS PLANS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the consolidated statement of comprehensive income of HK$492,000 (2009: HK$734,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

37. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Share Option Scheme"), was adopted pursuant to a resolution passed on 3 November 2003 for the primary purpose of providing incentives to selected participants, and will expiry on 2 November 2013. Under the Share Option Scheme, the Board of Directors of the Company may grant options to the following eligible participants:

(i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries and any entity ("Invested Entity") in which any member of the Group holds any equity interest;

(ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries and any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of any member of the Group or any Invested Entity;

37. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; and

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity.

At 31 December 2010 and 2009, there is no share in respect of which options had been granted and remained outstanding under the Share Option Scheme. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

38. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Eagle Mascot Group

On 22 October 2009, the Group acquired the entire share capital of Eagle Mascot Limited for a total consideration of approximately HK$1,309,469,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$1,040,042,000.

The Eagle Mascot Group is engaged in sale of system hardware and application software for installation of ISD system and provision of system solution services.

Consideration transferred

	Originally stated	**Restatement**	**Restated**
	HK$'000	HK$'000	HK$'000
Cash	35,000	–	35,000
Relevant costs for acquisition	2,919	–	2,919
Shares issued (Note 1)	91,700	–	91,700
Convertible notes (Note 2)	799,648	380,202	1,179,850
Total	929,267	380,202	1,309,469

Note 1: As part of the consideration for the acquisition of Eagle Mascot Limited, 131,000,000 ordinary shares of the Company with par value of HK$0.1 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of acquisition, amounted to HK$0.7 per share.

Note 2: The determination and restatement of the fair value of the convertible notes is set out in note 30.

Note 3: The fair values of convertible notes were determined with reference to the valuation report prepared by Jones Lang LaSalle Sallmanns, an independent professional valuer.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Eagle Mascot Group (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Acquiree's carrying amount at acquisition	Fair value adjustments	Fair value
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	15,469	–	15,469
Intangible assets	3,135	154,302	157,437
Inventories	5,555	–	5,555
Trade and other receivables	119,312	–	119,312
Cash and bank balances	84,479	–	84,479
Bank borrowings	(45,600)	–	(45,600)
Trade and other payables	(45,219)	–	(45,219)
Tax liabilities	(6,576)	–	(6,576)
Deferred tax liabilities	–	(15,430)	(15,430)
	130,555	138,872	269,427

Goodwill arising on acquisition:

	Originally stated	Restatement	Restated
	HK$'000	HK$'000	HK$'000
Consideration transferred	929,267	380,202	1,309,469
Less: net assets acquired	(269,427)	–	(269,427)
Total	659,840	380,202	1,040,042

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of Eagle Mascot Group (Continued)

Net cash inflow on acquisition of Eagle Mascot Group

	HK$'000
Cash consideration paid	(35,000)
Relevant costs for acquisition	(2,919)
Less: cash and bank balances acquired	84,479
	46,560

(b) Acquisition of Jiangsu Hongxin

On 31 October 2009, the Group acquired the entire share capital of Jiangsu Hongxin for consideration of HK$17,100,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$385,000. Jiangsu Hongxin is engaged in production of intelligent product and provision of consultancy services on intelligent system.

Consideration transferred

	HK$'000
Cash	17,100

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Acquiree's carrying amount and fair value HK$'000
Property, plant and equipment	7
Trade and other receivables	23,203
Trade and other payables	(6,491)
Tax payable	(4)
	16,715

38. ACQUISITION OF SUBSIDIARIES (Continued)

b) Acquisition of Jiangsu Hongxin (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	17,100
Less: net assets acquired	(16,715)
Total	385

Net cash outflow on acquisition of Jiangsu Hongxin

	HK$'000
Cash consideration paid	(17,100)
Less: cash and bank balances acquired	–
	(17,100)

Goodwill arose in the acquisition of Eagle Mascot Group and Jiangsu Hongxin is attributable to the benefit of revenue growth, and future market of 物聯網 ("Internet-of-things") and expertise in the workforce of Eagle Mascot Group and Jiangsu Hongxin. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Included in the profit for the year ended 31 December 2009 is HK$31.793 million attributable to the additional business generated by Eagle Mascot Group and Jiangsu Hongxin. Revenue for the year ended 31 December 2009 includes HK$43.490 million generated from Eagle Mascot Group and Jiangsu Hongxin.

Had the acquisition been completed on 1 January 2009, total group revenue from continuing operations for 2009 would have been HK$141.241 million, and profit from continuing operations for the period would have been HK$80.830 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

39. DISPOSAL OF SUBSIDIARIES

On 6 August 2010, the Group disposed of Long Master and its subsidiary, Fujian Nanshaolin which carried out all of its pharmaceutical operations.

Consideration received

	2010 HK$'000
Consideration received in cash and cash equivalents	**79,000**

Analysis of assets and liabilities over which control was lost

	6.8.2010 HK$'000
Current assets	
Cash and cash equivalents	480
Trade receivables	5
Inventories	1,029
Non-current assets	
Property, plant and equipment	95,382
Intangible assets	8,898
Prepaid lease payments	2,130
Current liabilities	
Payables	(35,928)
	71,996

Gain on disposal of subsidiaries

	HK$'000
Consideration received	79,000
Net assets disposed of	(71,996)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiary	76,126
Gain on disposal	83,130

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income (see note 13).

39. DISPOSAL OF SUBSIDIARIES (Continued)

Net cash inflow arising on disposal of subsidiaries

	HK$'000
Cash consideration received	79,000
Less: cash and cash equivalent balances disposed of	(480)
	78,520

40. NON-CASH TRANSACTIONS

During the year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- In current year, amount totalling HK$14.911 million due to a shareholder of the Company was waived (see note 33). Meanwhile, Convertible notes in an aggregate principal amount of HK$692,540,400 were converted into 1,065,446,769 new ordinary shares;

- In prior year, convertible notes in an aggregate principal amount of HK$206,309,600 were converted into 317,399,383 new ordinary shares.

41. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure borrowings of the Group (see note 29):

	2010	2009
	HK$'000	HK$'000
Leasehold land and buildings	**1,671**	1,933
Guarantee deposit included in other receivables	**589**	570
	2,260	2,503

42. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

42. RELATED PARTY TRANSACTIONS (Continued)

During the year, the Group entered into the following transactions with related parties:

	Lease		Prepayment to related parties for acquisition of property		Amounts due from related parties		Amounts due to related parties	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Related parties	**1,377**	340	**96,530**	–	**10**	25,835	**1,413**	9,521

Related parties represent the companies controlled by Chen Hong, who is key management of and the shareholder of the Company and a director of Shenzhen Anxin.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts due from related parties. The above amounts due from/to related parties are included in "trade and other receivables" and "trade and other payables" respectively.

Other related party transactions

At 31 December 2010, the bank loan of RMB20,000,000 (equivalent to approximately HK$22,800,000) with variable-rate borrowings was secured by a property of a related company, in which two directors of Shenzhen Anxin including Chen Hong have controlling interests.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010	2009
	HK$'000	HK$'000
Salaries, allowances and other short-term employee benefits	**674**	770
Contribution to retirement benefits schemes	**12**	15
	686	785

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2010	2009
	HK$'000	HK$'000
Authorised and contracted for		
– the acquisition of intangible assets	**–**	5,700
– leasehold improvements	**–**	5,671
	–	11,371

44. OPERATING LEASES

The Group as lessee

	2010	2009
	HK$'000	HK$'000
Minimum lease payments paid under operating leases for premises during the year:	**2,148**	1,046

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**2,183**	1,958
In the second to fifth years inclusive	**1,359**	1,607
	3,542	3,565

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 to 3 years and rentals are fixed over the respective leases.

45. EVENTS AFTER THE REPORTING PERIOD

(i) On 6 January 2011, the Vendor (a shareholder of the Company) and the Company entered into the Subscription and Placing Agreement with the Placing Agent, pursuant to which the Placing Agent have agreed, on a best efforts basis, to procure at least six investors to purchase, and the Vendor has agreed to sell, up to 150,000,000 existing shares at a price of HK$2.30 per Placing Share. Subject to completion of the Placing, the Vendor agrees to subscribe for and the Company agrees to allot and issue to the Vendor up to 150,000,000 new shares which are equal to the number of Placing Shares at a price of HK$2.30 per Subscription Share.

The placing and the subscription took place on 20 January 2011. A total of 140,100,000 Placing Shares has been successfully placed to not less than six independent investors at the Placing Price of HK$2.30 per Placing Share, and a total of 140,100,000 Subscription Shares has been allotted and issued to the Vendor by the Company at the Subscription Price. The net proceed from subscription was HK$310.604 million.

(ii) On 21 January 2011, 28 January 2011 and 10 February 2011, three tranches of 10,000,000 warrants were exercised respectively at a subscription price of HK$1.22 per share, resulting in the issue of 30,000,000 ordinary shares of HK$0.1 each. The net proceeds from exercise of warrants were HK$36.600 million.

(iii) On 21 February 2011, the resolution in respect of the discloseable and connected transaction in relation to acquisition of property (details of this connected transaction are set out in note 22) has been passed by way of poll at the extraordinary general meeting.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid-in capital/ registered ordinary share capital	Proportion ownership interest held by the Company				Proportion of voting power held		Principal activities
				directly		indirectly				
				2010 %	2009 %	2010 %	2009 %	2010 %	2009 %	
Hover Rise Limited 翔興有限公司	British Virgin Islands	Ordinary	50,000 shares of US$1 each	**100**	100	**–**	–	**100**	100	Investment holding
Eagle Mascot Limited 祥鷹有限公司	British Virgin Islands	Ordinary	50,000 shares of US$1 each	**–**	–	**100**	100	**100**	100	Investment holding
Eagle Champion Holdings Limited 毅弘控股有限公司	Hong Kong	Ordinary	10,000 shares of HK$1 each	**–**	–	**100**	100	**100**	100	Investment holding
Shenzhen Anxin Digital Development Co., Ltd. 深圳市安芯數字發展有限公司 (Shenzhen Anxin) (Note 1)	PRC (wholly owned foreign invested company)	Registered	RMB143,522,829	**–**	–	**100**	100	**100**	100	Production of system hardware and application software, and provision of system solutions according to client's need and provision of long term agency operation and maintenance services on system solutions
Jiangsu Hongxin Intelligence Technology Co., Ltd. 江蘇省洪芯智能技術有限公司 (Jiangsu Hongxin)	PRC (wholly owned foreign invested company)	Registered	RMB15,000,000	**–**	–	**100**	100	**100**	100	Production of intelligent product and provision of consultancy services on intelligent system
Shenzhen Anke Safety Production Information Services Co., Ltd. 深圳市安科安全生產信息服務有限公司	PRC (wholly owned foreign invested company)	Registered	RMB5,000,000	**–**	–	**100**	100	**100**	100	Development on enterprise safety technology and provision of consultancy service for enterprises safety technology
Long Master International Limited (Long Master) (Note 2)	British Virgin Islands	Ordinary	10,000 shares of US$1 each	**–**	100	**–**	–	**–**	100	Investment holding
Fujian Nanshaolin Pharmaceutical Co., Ltd. 福建南少林藥業有限公司 (Fujian Nanshaolin) (Note 2)	PRC (wholly owned foreign invested company)	Registered	RMB67,660,252	**–**	–	**–**	100	**–**	100	Manufacturing, sale, research and development of pharmaceutical products

Note 1: On 15 December 2010, Shenzhen Anxin's registered capital was increased by RMB100,000,000, its registered capital raised from RMB75,000,000 to RMB175,000,000. Among the increased registered capital of RMB100,000,000, RMB68,522,828.58 has been paid up in current year, which made its paid-in capital increased from RMB75,000,000.00 to RMB143,522,829.

Note 2: On 14 May 2010, the Company entered into a share transfer agreement with New Value Investment Limited ("New Value") and Zhong Houtai ("Mr. Zhong"), which stipulating that the Company transferred 100% of the share of Long Master and its subsidiary (i.e. Fujian Nanshaolin) at a consideration of HK$79,000,000. The share transfer transaction has been accomplished on 6 August 2010. Therefore, Long Master and Fujian Nanshaolin are excluded from the scope of consolidated statement of financial position for the year ended 31 December 2010, while its operating results and cash flows up to the date of disposal are still included in the corresponding consolidated statement of comprehensive income and consolidated statement of cash flows.

None of the subsidiaries had issued any debt securities at the end of the year.

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2010	2009
	HK$'000	HK$'000
Property, plant and equipment	**7**	10
Unlisted investments in subsidiaries	**1**	67,564
Amounts due from subsidiaries	**1,390,490**	1,309,485
Other current assets	**714**	307
Bank balances and cash	**28,822**	8
Total assets	**1,420,034**	1,377,374
Convertible notes (note 30)	**183,430**	564,354
Other current liabilities	**3,199**	2,440
Total liabilities	**186,629**	566,794
Share capital (note 32)	**207,975**	100,430
Reserves	**1,025,430**	710,150
Total equity	**1,233,405**	810,580

Financial Summary

For the year ended 31 December

	For the year ended 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
				(Restated)	
RESULTS					
Revenue	342,232	411,990	422,321	126,923	**336,807**
Cost of sales	(205,251)	(252,187)	(312,307)	(72,194)	**(74,569)**
Gross profit	136,981	159,803	110,014	54,729	**262,238**
Investment and other income	4,580	7,394	6,310	3,875	**38,934**
Other gains and losses	–	–	–	(504,351)	**82,740**
Selling and marketing expenses	(21,325)	(28,138)	(51,797)	(26,371)	**(21,367)**
Administrative expenses	(19,918)	(30,046)	(32,460)	(74,934)	**(40,593)**
Research and development expenses	–	–	–	(1,280)	**(13,934)**
Finance costs	–	–	–	(17,882)	**(50,651)**
Profit (loss) before tax	100,318	109,013	32,067	(566,214)	**257,367**
Income tax expense	(16,391)	(18,268)	(8,534)	(3,931)	**(12,458)**
Profit (loss) for the year attributable to owners of the Company	83,927	90,745	23,533	(570,145)	**244,909**
Earnings (losses) per share					
Basic (HK cents)	20.98	20.49	5.07	(107.44)	**16.44**
Diluted (HK cents)	20.94	N/A	5.07	(107.44)	**11.66**

Note: The above income statements represent financial results from both continuing and discontinued operations.

	For the year ended 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
				(Restated)	
ASSETS AND LIABILITIES					
Total assets	491,255	660,627	752,463	1,630,573	**1,762,553**
Total liabilities	(54,759)	(63,510)	(99,963)	(788,022)	**(257,057)**
	436,496	597,117	652,500	842,551	**1,505,496**
Equity attributable to owners of the Company	436,496	597,117	652,500	842,551	**1,505,496**