



# 中国安芯控股有限公司

## Anxin-China Holdings Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 1149



**2013** 中期報告  
Interim Report

中國安芯 安心中國

Anxin-China, your safety is our business

## CONTENTS

Auditor's Review Report	2
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	6
Notes to the Condensed Consolidated Financial Statements	7
Management Discussion and Analysis	23
Other Information	33
Appreciation	42



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## Report on Review of Interim Financial Information

### To the Board of Directors of Anxin-China Holdings Limited

(incorporated in Cayman Islands with Limited Liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 22, which comprises the condensed consolidated statement of financial position of Anxin-China Holdings Limited and its subsidiaries as of 30 June 2013 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim condensed consolidated financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made 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.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### BDO Limited

*Certified Public Accountants*

### Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong, 29 August 2013

The board of directors (the "Board") of Anxin-China Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with comparative figures for the corresponding period in 2012.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	5	526,115	405,937
Cost of sales		(70,487)	(42,488)
Gross profit		455,628	363,449
Other revenue		37,512	60,698
Other gains and (losses)	6	2,098	22,025
Selling and distribution costs		(27,715)	(74,279)
Administrative expenses		(24,608)	(26,186)
Research and development expenses		(13,518)	(6,055)
Finance costs		(4,310)	(1,386)
Profit before income tax expense	7	425,087	338,266
Income tax expense	8	(3,091)	(40,740)
<b>Profit for the period</b>		<b>421,996</b>	<b>297,526</b>
<b>Profit for the period attributable to:</b>			
– Owners of the Company		421,996	297,573
– Non-controlling interests		–	(47)
		<b>421,996</b>	<b>297,526</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of foreign operations		59,858	(24,450)
<b>Total comprehensive income for the period</b>		<b>481,854</b>	<b>273,076</b>
<b>Total comprehensive income for the period attributable to:</b>			
– Owners of the Company		481,854	273,125
– Non-controlling interests		–	(49)
		<b>481,854</b>	<b>273,076</b>
<b>EARNINGS PER SHARE</b>	9		
– Basic (HK cents)		14.74	11.05
– Diluted (HK cents)		14.06	11.04

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	11	135,958	135,051
Goodwill	12	1,308,432	1,296,803
Other intangible assets		642,295	651,770
Deferred tax assets		1,077	1,659
Total non-current assets		<u>2,087,762</u>	<u>2,085,283</u>
<b>Current assets</b>			
Inventories		24,859	19,353
Trade and other receivables	13	550,620	378,256
Restricted bank deposits		1,708	18,500
Cash and cash equivalents		1,964,395	1,580,697
Total current assets		<u>2,541,582</u>	<u>1,996,806</u>
<b>Total assets</b>		<u>4,629,344</u>	<u>4,082,089</u>
<b>Current liabilities</b>			
Trade and other payables	14	342,767	163,796
Contingent consideration shares	15	191,943	270,142
Promissory note	16	82,968	–
Current tax liabilities		2,106	59,061
Total current liabilities		<u>619,784</u>	<u>492,999</u>
<b>Net current assets</b>		<u>1,921,798</u>	<u>1,503,807</u>
<b>Total assets less current liabilities</b>		<u>4,009,560</u>	<u>3,589,090</u>
<b>Non-current liabilities</b>			
Promissory note	16	–	78,658
Deferred tax liabilities		96,308	100,570
Total non-current liabilities		<u>96,308</u>	<u>179,228</u>
<b>Total liabilities</b>		<u>716,092</u>	<u>672,227</u>
<b>NET ASSETS</b>		<u>3,913,252</u>	<u>3,409,862</u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	17	288,149	282,616
Reserves		3,625,103	3,127,246
<b>TOTAL EQUITY</b>		<u>3,913,252</u>	<u>3,409,862</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share Capital	Shares to be issued	Share premium	Shares held for share award scheme	Warrant reserve	Capital reserve	Statutory reserve	Share-based payment reserve	Special reserve	Share option reserve	Foreign exchange reserve	Retained profits	Proposed final dividend	Equity attributable to equity holders of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 (audited)	268,087	-	1,516,523	-	131	14,911	13,255	-	19,608	25,289	138,825	496,098	80,426	2,573,153	2,443	2,575,596
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	297,573	-	297,573	(47)	297,526
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	(24,448)	-	-	(24,448)	(2)	(24,450)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	(24,448)	297,573	-	273,125	(49)	273,076
Issue of new shares on exercise of share options	1,900	-	37,296	-	-	-	-	-	-	(10,696)	-	-	-	28,500	-	28,500
Issue of new shares	3,236	-	56,416	-	-	-	-	-	-	-	-	-	-	59,652	-	59,652
Issue of share options	-	-	-	-	-	-	-	-	-	70,392	-	-	-	70,392	-	70,392
Equity-settled share-based payment expenses	-	-	-	-	-	-	-	9,598	-	-	-	-	-	9,598	-	9,598
Distribution of 2011 final dividends	-	-	(970)	-	-	-	-	-	-	-	-	-	(80,426)	(81,396)	-	(81,396)
At 30 June 2012 (unaudited)	273,223	-	1,609,265	-	131	14,911	13,255	9,598	19,608	84,985	114,377	793,671	-	2,933,024	2,394	2,935,418
At 1 January 2013 (audited)	282,616	-	1,653,846	-	-	14,911	24,473	28,795	19,608	74,853	176,181	1,032,752	101,827	3,409,862	-	3,409,862
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	421,996	-	421,996	-	421,996
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	59,858	-	-	59,858	-	59,858
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	59,858	421,996	-	481,854	-	481,854
Issue of new shares on exercise of share options	1,691	-	33,471	-	-	-	-	-	-	(9,806)	-	-	-	25,356	-	25,356
Shares purchased for share award scheme	-	-	-	(19,815)	-	-	-	-	-	-	-	-	-	(19,815)	-	(19,815)
Issue of new shares	4,062	-	64,184	-	-	-	-	-	-	-	-	-	-	68,246	-	68,246
Purchase of own shares for cancellation	(220)	-	(3,355)	-	-	-	-	-	-	-	-	-	-	(3,575)	-	(3,575)
Equity-settled share-based payment expenses	-	-	-	-	-	-	-	19,197	-	-	-	-	-	19,197	-	19,197
Share option expenses	-	-	-	-	-	-	-	-	-	8,724	-	-	-	8,724	-	8,724
Proceed from exercise of share options	-	26,250	-	-	-	-	-	-	-	-	-	-	-	26,250	-	26,250
2012 final dividend relating to purchased award shares	-	-	435	-	-	-	-	-	-	-	-	-	-	435	-	435
Distribution of 2012 final dividends	-	-	(1,455)	-	-	-	-	-	-	-	-	-	(101,827)	(103,282)	-	(103,282)
At 30 June 2013 (unaudited)	288,149	26,250	1,747,126	(19,815)	-	14,911	24,473	47,992	19,608	73,771	236,039	1,454,748	-	3,913,252	-	3,913,252

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FROM OPERATING ACTIVITIES	342,369	211,777
NET CASH USED IN INVESTING ACTIVITIES	(13,555)	(86,901)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	28,216	(51,187)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>357,030</b>	73,689
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>1,580,697</b>	1,077,795
Effect of exchange rate changes on cash and cash equivalents	26,668	(9,979)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>1,964,395</b>	1,141,505
Analysis of the balance of cash and cash equivalents cash and bank balances	1,964,395	1,141,505

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2013*

## 1. GENERAL

Anxin-China Holdings Limited (“the Company”) is a limited liability company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is located at Unit 01-05, 20F, Harbour Centre, No.25 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of system hardware and application software for installation of Intelligent Surveillance Disaster Alert & Rescue Coordination (“ISD”) Systems and Intelligent Safety Systems (“ISS”), provision of system solutions services and the design, development, production and distribution of security and protection products, surveillance cameras and Closed Circuit Television (“CCTV”) products.

These condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of Anxin-China Holdings Limited and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013 (the “Interim Financial Information”) have been prepared in accordance with applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the Interim Financial Information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Information includes selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2012. The Interim Financial Information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA. HKFRSs include all applicable HKFRSs, HKASs and related interpretations and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012.

## 3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Information has been prepared on the historical cost basis except for the valuation of certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those adopted in the annual financial statements for the year ended 31 December 2012.



### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has adopted all new and revised HKFRSs that are relevant to the Group and are effective for accounting periods beginning on 1 January 2013. The adoption of new and revised HKFRSs has no material effect on the Interim Financial Information except as follows:

#### **Amendments to HKAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the Interim Financial Information has been modified accordingly.

#### **Amendments to HKFRS 10 – Consolidated Financial Statements**

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 January 2013.

#### **Amendments to HKFRS 13 – Fair Value Measurement**

The adoption of HKFRS 13 did not result in a change in the accounting policy relating to fair value measurement. HKFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. In accordance with HKFRS 13, some of the disclosures for financial instruments required for annual financial statements are included in note 15 to these unaudited condensed consolidated financial statements.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to HKAS 39	Financial instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC) Interpretation 21	Levies <sup>1</sup>
HKFRS 9	Financial Instruments – classification of financial assets and financial liabilities <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these new HKFRSs and the directors anticipate that the application of these new and revised HKFRSs will have no material impact on the results and financial position of the Group.

#### 4. SEGMENT INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision-maker (i.e. the board of directors) for the purposes of assessing segment performance and allocating resources.

The Group has two reportable segments and is managed separately as each business requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- (i) ISD system segment – ISD is an acronym standing for “Intelligent Surveillance, Disaster Alert and Rescue Co-ordination”. It involves the setting up of a dedicated communications platform using Internet-of-things technologies, through which industrial safety parameters, such as content in a coal mine, oil pressure in an oil depot, etc, are transmitted from industrial enterprises to the Local Government Monitoring Center. The Group's revenue from this segment is primarily derived from local government authorities or sub-contractors of local government authorities as well as service charges received for ongoing systems maintenance services.
- (ii) ISS segment – ISS is an acronym standing for “Intelligent Safety Systems”. The Group's revenue from this segment is primarily derived from the sales of software, hardware and equipment, primary hardware and equipment, such as surveillance cameras, CCTV products and sensors, to enterprises/governments for the purpose of ensuring industrial/public safety.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

Segment information for the period is set out below:

	ISD system segment		ISS segment		Elimination		Total	
	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue from external customers	513,741	379,698	12,374	26,239	-	-	526,115	405,937
Inter-segment sales	-	-	-	1,148	-	(1,148)	-	-
Total	513,741	379,698	12,374	27,387	-	(1,148)	526,115	405,937
Segment profits or losses	455,734	348,821	(30,973)	434	-	(116)	424,761	349,139
Depreciation and amortisation	(42,402)	(19,185)	(13,101)	(6,237)	-	-	(55,503)	(25,422)
Impairment loss on goodwill	-	-	(9,111)	-	-	-	(9,111)	-

#### 4. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment profit	424,761	349,139
Other revenue	286	74
Other gains and (losses)	9,953	–
Exchange gain/(loss), net	2,088	(1,938)
Finance costs	(4,310)	(1,386)
Unallocated corporate expenses	(7,691)	(7,623)
Consolidated profit before income tax expense	425,087	338,266

#### Geographical Information

The directors of the Group consider that the Group's condensed consolidated revenue and substantially all of its condensed consolidated results are attributable to the market in the PRC. The Group's condensed consolidated non-current assets are substantially located in the PRC. Accordingly, no geographical information is presented.

#### Information about major customers

For the six months ended 30 June 2013, 2 customers of the ISD system segment had sales of HK\$166,145,000 and HK\$86,973,000 respectively each of which contributed to more than 10% of the Group's revenue.

For the six months ended 30 June 2012, 3 customers of the ISD system segment had sales of HK\$74,599,000, HK\$70,590,000 and HK\$53,047,000 respectively each of which contributed to more than 10% of the Group's revenue.

#### 5. TURNOVER

Turnover represents the invoiced value of sale of application software and system hardware, security and protection products and manufacturing and sales of surveillance cameras and CCTV products, and system solution service income, after discounts and rebates, earned by the Group.

## 6. OTHER GAINS AND (LOSSES)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value changes on contingent consideration shares (note 15)	9,953	–
Exchange gain/(loss), net	1,705	(1,931)
Reversal of impairment loss on trade receivables	–	23,956
Gain on disposal of property, plant and equipment	–	37
Impairment loss on goodwill arising from acquisition of Yu Hong Group (note 12)	(9,111)	–
Others	(449)	(37)
	<b>2,098</b>	<b>22,025</b>

## 7. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as an expense	14,385	16,394
Depreciation of property, plant and equipment	6,228	3,482
Amortisation of intangible assets	49,275	21,940
Interest expense on promissory note (note 16)	4,310	1,386
Share-based payment expenses (note 19)	27,921	79,990
Interest income on bank deposit	(4,081)	(2,205)
Reversal of impairment loss on trade receivables	–	(23,956)

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – PRC Enterprise Income Tax (“EIT”) – tax for the period	8,206	40,348
Deferred tax – (credit)/charge to profit or loss for the period	(5,115)	392
Income tax expense	3,091	40,740

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

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (six months ended 30 June 2012: Nil).

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income of the PRC subsidiaries of the Company is calculated based on the statutory tax rate of 25%, except for certain subsidiaries which are subject to preferential enterprise income tax rates as they qualify for high-tech and/or software producing enterprise.

## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	421,996	297,573
Fair value change on contingent consideration shares	(9,445)	–
Earnings for the purposes of dilutive earnings per share	412,551	297,573

## 9. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2013 (Unaudited) '000	2012 (Unaudited) '000
<b>Number of shares</b>		
Weighted average number of ordinary shares (less shares held for share award scheme for the purpose of basic earnings per share)	<b>2,863,838</b>	2,692,541
Effect of dilutive potential ordinary shares:		
– Warrants	–	3,344
– Share options	<b>19,751</b>	22
– Contingent consideration shares	<b>50,779</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,934,368</b>	2,695,907

Note:

The computation of diluted earnings per share does not assume an exercise of the Company's outstanding share options, which were granted on 1 April 2011 with exercise price of HK\$2.25, as the exercise price of those options is higher than the average market price of the Company's shares for the six months ended 30 June 2013 and 2012.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding 5<sup>th</sup> tranche of contingent consideration shares of 50,778,606 shares in aggregate as the relevant profit conditions have not been satisfied at the end of the reporting period (details on contingent consideration shares, please refer to note 15).

## 10. DIVIDENDS

On 29 August 2013, the Board has declared an interim dividend of HK1.4 cents per share (six months ended 30 June 2012: Nil per share), totalling approximately HK\$40,683,000 (six months ended 30 June 2012: Nil) which includes dividends of approximately HK\$169,000 (six months ended 30 June 2012: Nil) relating to shares held for share award scheme as set out in note 18. The proposed interim dividend for six months ended 30 June 2013 is calculated based on the number of shares in issue at the date of this report. The proposed dividend is not reflected as a dividend payable in the Interim Financial Information.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$5,034,000 (six months ended 30 June 2012: HK\$4,350,000). There is no significant disposal of property, plant and equipment for the six months ended 30 June 2013.

## 12. GOODWILL

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
<b>Cost</b>		
Balance at beginning of period/year	1,304,466	1,129,430
Acquisition of subsidiaries	–	201,640
Measurement period adjustment	–	(40,000)
Exchange adjustments	20,932	13,396
Balance at end of period/year	1,325,398	1,304,466
<b>Accumulated impairment losses</b>		
Balance at beginning of period/year	(7,663)	–
Impairment losses recognised	(9,111)	(7,663)
Exchange adjustments	(192)	–
Balance at end of period/year	(16,966)	(7,663)
Net book value at end of period/year	1,308,432	1,296,803
ISD system business	1,243,539	1,223,900
ISS business	64,893	72,903
Net book value at end of period/year	1,308,432	1,296,803

Goodwill is allocated to the cash generating units (“CGU”) identified according to different business units. The Group tests CGU to which goodwill is allocated annually for impairment or more frequently if there are indications that goodwill might be impaired. During the six months ended 30 June 2013, the management reviewed that there has been change in business environment for the ISS business. Accordingly, the management revised its cash flow projections of the ISS business to reflect current operating performance and used a discount rate of 19.4% (2012:19.2%). The estimated recoverable amount based on value-in-use calculation was less than the carrying amount which results in recognition of impairment loss on goodwill of HK\$9,111,000 for the six months ended 30 June 2013.

### 13. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Trade receivables	<b>517,021</b>	363,161
Other receivables	<b>6,360</b>	2,454
Amounts due from related companies	<b>18,226</b>	599
Amounts due from directors	<b>603</b>	620
Rental and utility deposits	<b>3,214</b>	3,147
Advance to suppliers	<b>5,196</b>	8,275
	<b>550,620</b>	378,256

The amounts due from the related companies and directors are unsecured, interest free and repayable on demand.

In general, the credit terms granted by the Group ranged from 90 to 180 days, 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 impairment losses presented based on the invoice date at the end of reporting period.

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Aged:		
Within 0 – 30 days	<b>202,509</b>	137,144
31 – 60 days	<b>218,737</b>	141,549
61 – 90 days	<b>565</b>	6,388
91 – 180 days	<b>26,040</b>	4,587
181 – 365 days	<b>49,935</b>	73,476
More than 365 days	<b>19,235</b>	17
	<b>517,021</b>	363,161

Included within the trade receivables balance at the end of the period, HK\$161,290,000 (31 December 2012: HK\$94,178,000) is due from the Group's largest customer. There are another five customers (31 December 2012: eight customers) who represent more than 5% of the total balance of trade receivables. These customers have no past history of default.



## 14. TRADE AND OTHER PAYABLES

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Trade payables	17,726	22,900
Cash consideration (note a)	96,700	96,700
Other payables and accruals	45,780	17,957
Other tax payables	53,724	13,568
Amounts due to related parties (note b)	6,363	3,870
Advance from customers	17,918	7,092
Dividend payable	104,556	1,709
	<b>342,767</b>	163,796

Note:

- (a) The cash consideration is for the acquisition of Yu Hong Group.
- (b) The amounts due to related parties are unsecured, interest free and repayable on demand.

In general, the credit terms granted by suppliers ranged from 90 to 180 days. The aging analysis of trade payables prepared based on invoice date is as follows:

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Aged:		
Within 0 – 30 days	4,589	8,308
31 – 60 days	1,560	2,150
61 – 90 days	1,221	1,904
91 – 180 days	263	937
181 – 365 days	1,503	1,087
More than 365 days	8,590	8,514
	<b>17,726</b>	22,900

## 15. CONTINGENT CONSIDERATION SHARES

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Balance at beginning of period/year	<b>270,142</b>	–
Additions from acquisition of subsidiaries	–	337,170
Issue of consideration shares	<b>(68,246)</b>	(100,237)
Fair value changes on contingent consideration shares	<b>(9,953)</b>	33,209
Balance at end of period/year	<b>191,943</b>	270,142

Note:

As part of the consideration for the acquisition of Tech Praise Group, the Company was required to issue 203,114,421 new shares based on five tranches of consideration shares. Consideration shares of 60,934,326 for 1<sup>st</sup> and 2<sup>nd</sup> tranche of shares were issued during the year ended 31 December 2012 and were re-measured to fair value at the date of its issuance. The remaining 142,180,095 shares, which were subject to adjustment principally based on Tech Praise Group's profits for the years ended 31 December 2012 and 2013, were classified as financial liabilities in the consolidated statement of financial position and re-measured to fair value as at 31 December 2012.

During the six months ended 30 June 2013, consideration shares of 40,622,884 for 3<sup>rd</sup> tranche of shares were issued and were re-measured to fair value at the date of its issuance. The remaining 101,557,211 shares for 4<sup>th</sup> and 5<sup>th</sup> tranche of shares, which were subject to adjustment principally based on Tech Praise Group's profits for the six months ended 30 June 2013 and year ending 31 December 2013, were still classified as financial liabilities in the consolidated statement of financial position and re-measured to fair value at the end of reporting period. A total fair value gain of approximately HK\$9,953,000 was recognised in profit or loss accordingly.

The Group followed HKFRS 13 – Fair Value Measurement which introduce a three level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 15. CONTINGENT CONSIDERATION SHARES (Continued)

The contingent consideration shares are level 3 measurement. They are measured at fair value based on the share price of the Company and are taken into consideration of whether the profit guarantee of Tech Praise Group is probable to be met. The management of the Group used its internal budgets and forecasts to estimate the relevant profit targets which included information about the fair value measurement using significant unobservable inputs (level 3). There was no transfer between the three levels during the current and prior period.

## 16. PROMISSORY NOTE

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Balance at beginning of period/year	<b>78,658</b>	–
Issuance for acquisition of subsidiaries	–	173,822
Compensation gain arising from profit guarantee	–	(101,490)
Imputed interest recognised during the period/year	<b>4,310</b>	6,326
Carrying amount at the end of the period/year	<b>82,968</b>	78,658

The Company issued a zero-coupon promissory note in the principal amount of HK\$189,000,000 (the "Promissory Note") as part of the consideration for the acquisition of the entire equity of Yu Hong Group. The Promissory Note has a two-year term and will be matured on 10 January 2014. The Promissory Note was classified as current liabilities as at 30 June 2013 and carried at amortised cost until extinguished on redemption.

## 17. SHARE CAPITAL

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
Authorised:		
8,000,000,000 (31 December 2012: 4,000,000,000 ordinary shares) ordinary shares of HK\$0.1 each (note a)	<b>800,000</b>	400,000
Issued and fully paid:		
2,881,488,000 ordinary shares of HK\$0.1 each (31 December 2012: 2,826,161,000 ordinary shares)	<b>288,149</b>	282,616

## 17. SHARE CAPITAL (Continued)

The movements in the issued share capital of the Company during the year/period were as follows:

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
As at 1 January 2012 (audited)	2,680,873	268,087
Issue of shares on exercise of warrants	15,000	1,500
Issue of shares on exercise of share options	37,000	3,700
Issue of new shares	93,288	9,329
As at 31 December 2012 (audited)	2,826,161	282,616
Issue of shares on exercise of share options (note b)	16,904	1,691
Purchase of own shares for cancellation (note c)	(2,200)	(220)
Issue of new shares (note d)	40,623	4,062
As at 30 June 2013 (unaudited)	2,881,488	288,149

Note:

- (a) By an ordinary resolution passed on 31 May 2013, the authorised share capital of the Company was increased from HK\$400,000,000 divided into 4,000,000,000 ordinary shares of HK\$0.1 each to HK\$800,000,000 by the creation of a further 4,000,000,000 ordinary shares of HK\$0.1 each. All new shares rank pari passu in all respects with the then existing shares of the Company.
- (b) On 24 January 2013, 15 February 2013, 20 March 2013, 27 May 2013, 18 June 2013 and 26 June 2013, a total of 1,576,000, 780,000, 780,000, 1,230,000, 5,402,000 and 7,136,000 share options were exercised at a subscription price of HK\$1.5 per share, resulting in the issue of 16,904,000 ordinary shares of HK\$0.1 each.
- (c) Pursuant to the repurchase mandate granted to the Company, the directors are allowed to repurchase ordinary shares of the Company not exceeding 10% of the issued share capital of the Company. Up to 30 June 2013, the Company repurchased a total of 2,200,000 of its own shares.
- (d) On 22 March 2013, a total of 40,622,884 shares being 3<sup>rd</sup> tranche of consideration shares for the acquisition of Tech Praise Group were issued (details on contingent consideration shares, please refer to note 15).

## 18. SHARES HELD FOR SHARE AWARD SCHEME

Pursuant to an announcement dated 9 April 2013, the Company adopted a share award scheme (the "Scheme") under which shares of the Company may be awarded to eligible employees in accordance with its provisions. The Scheme operates for 10 years from 8 April 2013.

A trustee has been appointed and the Company may provide contributed amount to the trustee from time to time for the purpose of purchasing, administrating and holding the Company's shares for the Scheme. The Company shall not make any further award of shares which result in the aggregate nominal value of the shares awarded by the Company under the Scheme exceeding 10% of the issued share capital of the Company shares at the time of such award. Dividend receivable relating to award shares held by the trustee before the award shares are vested with eligible employees is treated as income of the trust fund. No award shares were granted by the Company to employees during the six months ended 30 June 2013.

Movement in the number of shares held under the Scheme is as follows:

	Number of shares held '000	Amounts HK\$'000
As beginning of period	–	–
Purchased	12,076	19,815
Vested	–	–
As at 30 June 2013 (unaudited)	12,076	19,815

## 19. SHARE-BASED PAYMENT TRANSACTIONS

### (a) Share Options

No share options was granted by the Company during the period (year ended 31 December 2012: 158,820,000). Details and movements of share options are as follows:

	Weighted average exercise price	Number '000
At 1 January 2012	HK\$2.25	37,000
Granted during the year	HK\$1.50	158,820
Exercised during the year	HK\$1.50	(37,000)
At 31 December 2012	HK\$1.67	158,820
Exercised during the period	HK\$1.50	(16,904)
At 30 June 2013	HK\$1.70	141,916
Exercisable at the end of the period	HK\$1.73	122,688

## 19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (a) Share Options (Continued)

The weighted average exercise price of options outstanding at the end of the period was HK\$1.70 (31 December 2012: HK\$1.67) and the weighted average remaining contractual life was 1.41 years (31 December 2012: 1.94 years). The weighted average share price at the date of exercise of options during the period was HK\$1.96. Balance of approximately HK\$8,724,000 was recognised in profit or loss for the period ended 30 June 2013 (30 June 2012: HK\$70,392,000).

### (b) Equity settled share-based payment

On 17 March 2012, the Group entered into a Services Agreement with a consulting company whereby the consulting company agreed to provide services to the Group within three years for the purpose of assisting the Group in expanding and developing markets for ISD platforms in three cities in the PRC, and each of such cities shall install at least 1,000 surveillance points ("the Services"). The consideration for the Services, being US\$15,000,000, shall be satisfied by the Company's allotment and issuance of three tranches of Consideration Shares of 21,569,171 shares each.

Pursuant to HKFRS 2, the fair value of the services should be measured by reference to the share price at date of grant and amounted to approximately HK\$115,179,000, which will be recognised in profit or loss on a straight line basis over the estimated service vesting period. An amount of approximately HK\$19,197,000 was recognised in profit or loss for the six months ended 30 June 2013 (30 June 2012: HK\$9,598,000).

## 20. RELATED PARTY TRANSACTIONS

- (a) Other than the amounts and transactions disclosed elsewhere in the Interim Financial Information, the following transactions were entered into between the Group and related parties during the period.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	Transaction amount	
	HK\$'000	HK\$'000
Rental income charged to a related party	804	–
Rental expenses charged by a related party	753	737
Consultancy expenses to a related party (note ii)	468	–

Note:

- (i) Related parties represent Chen Hong, who is one of the major shareholders of the Company, and the companies controlled by him.
- (ii) The above expense was compensated based on equity-settled share based remuneration scheme.
- (iii) The Company has not made any provision for bad or doubtful debts in respect of related party debtors nor has any commitment or guarantee been given or received during 2013 and 2012 regarding related party transactions.

## 20. RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personnel

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Salaries, allowances and other short-term employee benefits	1,141	780
Contributions to defined contribution retirement plans	55	30
Share-based payment expenses	1,826	–
	<b>3,022</b>	810

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

## 21. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information were reviewed by the audit committee of the Company and approved and authorised for issue by the Board on 29 August 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHT

The Group delivered a remarkable financial performance for the six months ended 30 June 2013.

Consolidated turnover of the Group increased by approximately 30% to HK\$526 million, as compared to HK\$406 million in the previous period. Profit for the period attributable to owners of the Company amounted to HK\$422 million (six months ended 30 June 2012: HK\$298 million), representing a spectacular period on period increase of approximately 42%.

Basic earnings per share and diluted earnings per share amounted to HK14.74 cents (six months ended 30 June 2012: HK11.05 cents) and HK14.06 cents (six months ended 30 June 2012: HK11.04 cents) respectively.

Net cash inflow generated from operations amounted to HK\$342 million (six months ended 30 June 2012: HK\$212 million).

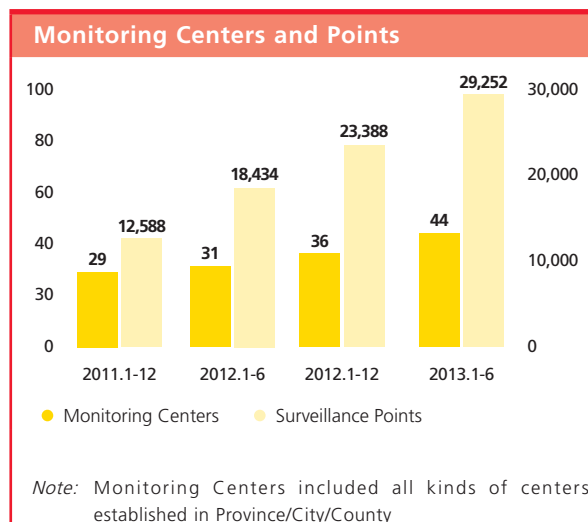
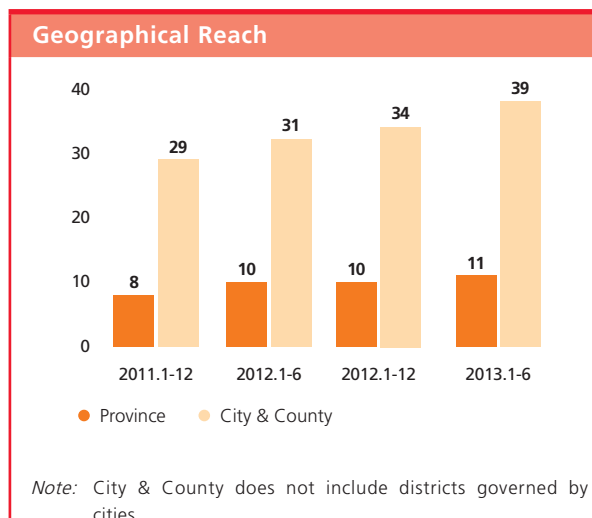
The Board declared the payment of an interim dividend of HK1.4 cents per share for the six months ended 30 June 2013.



## BUSINESS REVIEW

### ISD System Business Segment

During the period, the Group added eight monitoring centers and 5,864 surveillance points which brings the total to 44 monitoring centers and 29,252 surveillance points, respectively, as at 30 June 2013. The Group has expanded its geographical reach to 11 provinces and 39 cities/counties in China.



#### What is ISD system?

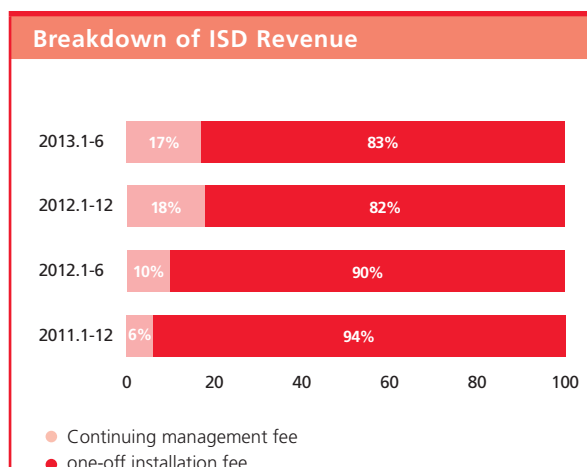
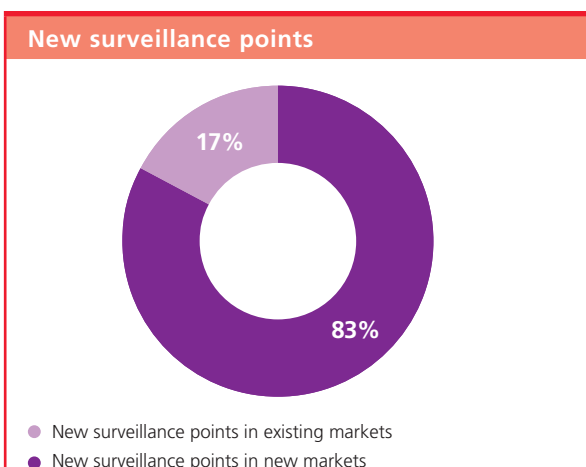
ISD system is unique to China. ISD is an acronym standing for "Intelligent Surveillance, Disaster Alert and Rescue Coordination". The system involves the setting up of a dedicated communication platform using leading edge Internet-of-Things technologies, through which all the safety parameters obtained via on-site sensors located at surveillance points, eg, gas content in a coal mine, oil pressure in an oil depot, etc, are transmitted to the Local Government Monitoring Center via the internet. Various transmission means can be employed, including public telecom networks, dedicated optical fiber cables or even satellites.

The Local Government Monitoring Center monitors such information and data on a real-time basis. Should any parameter exceed the pre-set safety limit, the system automatically sends out warning signals and rescue information to different interested parties, including the responsible person of the enterprise, relevant government departments such as the local work safety bureau as well as other rescue agencies such as the police, fire department and the local hospitals.

Safety monitoring was initially introduced to the coal mining industry, and then to all industries considered high-risk. Accordingly, the monitoring department has evolved from the Administration of Coal Mine Safety to the State Administration of Work Safety (SAWS). To exert its hold on the market pulse, Anxin-China has invested substantially in its R&D efforts since 2008 to upgrade the system so that various sensors from multiple industries could be connected. This is how coal mining ISD evolves into multi-industry ISD system.

Since the State Administration of Work Safety (SAWS) proposed to complete the consolidation of a Monitoring System Network for China's large and medium-sized enterprises at both the provincial and municipal levels, Anxin-China has shifted its focus to tap into new provinces/cities in an effort to maximize its presence in local markets. The strategy explains the fact that 4,879 out of 5,864 newly-added surveillance points are contributed by new monitoring centers while the balance 985 are secured from existing monitoring centers.

During the first half of 2013, the Group's revenue contribution from the ISD system business segment was primarily derived from (1) one-off installation fee from sales of surveillance points and (2) continuing management fee for ongoing system management and maintenance. Some 83% of the segment's revenue, amounted to HKD425,096,000 was generated by one-off sales of surveillance points, while HKD88,645,000 was generated from continuing management fee, indicating that the ISD system business of Anxin-China is undergoing a rapid growth stage which means great potential to develop new surveillance points.



## ISS Business Segment

The Group actively integrated the acquisitions made during the previous financial year in order to fully enhance their product technical content and hence establish a solid foundation to penetrate the public safety market. The Group has already finished a full localization of both intelligent video content analysis system and video management software. Meanwhile the Group's R&D team started the migration of video analysis algorithm from x86 system to embedded DSP hardware. Anxin-China has also proposed to two cities for pilot run of ISS business. The two cities are used for the search of operating models for "Intelligent Transportation System" and "Safe City", the two most commonly seen ISS projects, respectively. Positive feedback from pilot cities' government has already been received. The Group expects to formalize the operational and business model within the year and become operationally profitable by then. In addition, in order to avoid having face-to-face competition with current market leaders at this very early stage, the Group actively approaches these market leaders, hoping that a partnership with them could be achieved by leveraging on the different technical/business advantages Anxin-China possesses.

### What is ISS?

ISS, namely Intelligent Safety Systems, include intelligent software, hardware and other related equipment such as smart cameras, smart DVRs/NVRs, smart sensors, intelligent video analysis systems, etc. Differing from traditional safety systems which can only collect and disseminate data in a passive way, ISS is able to filter a large volume of redundant and invalid information according to one's needs and relay only meaningful information to staff, which greatly improves the efficiency of safety systems. Despite the wide utilization of traditional public safety equipment in areas like traffic management, financial security, property management and safe city settings, the huge amount of redundant data collected restricts their role in providing evidence after incidents take place rather than performing defensive and preventative functions effectively. ISS, however, are able to make predictions and therefore mitigate risks. As a result, the demand for ISS technology is growing rapidly along with the ongoing construction of "Smart Cities." It is believed that in the near future, ISS will be a comprehensive alternative to existing traditional safety devices and become an effective tool in urban management.

## Research Development and Other

During the period under review, via redefining and redesigning operations schemes of main functions modules with extensive adoption of RCP (Rich Client Platform) techniques, the Group completed various modifications for ISD systems in existing monitoring centers in an effort to provide our clients with more convenient and user-friendly interfaces. Meanwhile, so as to cater for the myriad needs of clients, the Group redesigned the operational module of database interfaces, enabling the system to access different databases. In addition, the Group launched an R&D and design project for the next generation of ISD systems. Technical upgrades have been undertaken on the framework of the transport network and the possibility of touch interfaces has been sought for the new-generation ISD systems, with a view to creating a more efficient ISD system overall with better modularity and greater integration of various subsystems, which lowers the difficulties in subsequent redevelopment and closer user interaction. The Group has also upgraded existing video monitoring products to improve their resolution, coding and decoding capabilities and reliability.

In early 2013, Shenzhen Anxin Digital Development Co., Limited, one of Anxin-China's subsidiaries, was designated to be a Guangdong Academician & Expert Enterprise Workstation (廣東省院士專家企業工作站). The Group is confident in its ability to turn technological achievements into productivity and yield more socioeconomic benefits for the populace as a whole. In March 2013, Anxin-China and Shenyang University of Chemical Technology (瀋陽化工大學) entered into an Agreement on Integrating Production, Study and Research (產學研合作協議), pursuant to which the University will provide full support to the R&D of Anxin-China's ISD system business in the coming three years. Both parties will intensify their joint efforts to improve the capabilities of multi-industry ISD systems in monitoring hazardous chemicals and assessing potential risks.

During the period under review, Anxin-China attended several world-renowned exhibitions, including the 4th China International Safety Security Emergency Technology & Equipment Exhibition and the 19th Moscow International Public Security Exhibition. The Group's integrated system solutions sparked great interest among potential customers.

## INDUSTRY REVIEW

China reports a much higher death rate resulting from industrial accidents than developed countries. Socioeconomic losses attributable to various industrial accidents amount to RMB200 billion every year, representing 2% of China's GDP. Industrial safety issues are potential factors hindering social stability. According to "Guidelines on Strengthening the Construction of Platforms for Emergency Management" issued by the State Administration of Work Safety (SAWS) (Document No.114, 2012) in September 2012 (《關於進一步加強安全生產應急平台體系建設的意見》(安監總應急『2012』114號)), SAWS is expecting a well-established network of platforms for emergency management of enterprises and safety monitoring institutions to be operational by end-2015. On the other hand, China also offers great support for the development of the Internet of Things (IOT) revolution. The "Guiding Opinions of the State Council on Promoting the Orderly and Healthy Development of the Internet of Things" (《國務院關於推進物聯網有序健康發展的指導意見》) issued in February stressed the highly effective role of IOT in socioeconomic domains and encourages its functions in maintaining public safety by 2015. The government estimates total work safety industry investment will reach RMB625 billion during the 12th Five-year Plan.

The accelerated pace of China's economic development and urbanization process led to an increasingly complicated public space and civil society. Therefore, there are escalating concerns over public safety issues, and China's "Smart City" (「智慧城市」) strategy is thus gaining ground. According to Essence International, 600-800 PRC cities are building themselves as "Smart Cities" within the 12th Five-year Plan period. Plans issued by local governments indicated a total investment of USD126 billion earmarked for constructing "Smart Cities." The safety industry, as a vital part of "Smart City" construction, is eagerly anticipating a potential boom on further development. Security and protection products have not only been widely used in many areas such as finance, traffic management and government administration, but are also experiencing a rising demand in the areas of education, healthcare, energy and telecommunications. Statistics show the total output value of the safety industry has been expanding for five consecutive years since 2008, at a high growth rate of 20%, which reached RMB320 billion in 2012 and is expected to hit RMB500 billion by 2015.

---

Anxin-China strives to maintain its leading position in the safety industry given the buoyant market environment. The Group will deepen its roots in industrial safety monitoring and focus on the public safety industry as the ultimate goal. Backed by its mature business model as well as innovative product offerings, Anxin-China is well-positioned to outperform its peers and ride the wave of “Smart Cities” construction to realize the corporate vision of “Anxin-China, Your Safety is Our Business”.

## OUTLOOK

The rapid industrialization in China has put a spotlight on the conflicts between a fast-developing economy and the fragile work safety foundation. In addition, the increasing complexity of the socio-environment has hastened the necessity of public safety. The Chinese government is now propelling the construction of “Smart Cities” with a total investment of RMB2 trillion according to the 12th Five-Year Plan, providing enormous opportunities for both industrial safety and public safety surveillance.

Looking ahead, Anxin-China will continue to emphasize on the business development of both business segments. Regarding the ISD system segment, the Group will take advantage of the golden opportunity presented by SAWS’ Document No. 114, to focus on business in its existing monitoring cities while also expanding its footprint into new markets so as to generate more revenue. As for the ISS business, the Group will speed up its work in pilot cities and target breaking ground on several projects by end-2013. The valuable experience gained will enable the Group to establish a reasonable and replicable business model to maximize the development potential of the ISS business in the coming years and turn it into another strong revenue source for the Group.

Anxin-China firmly believes that the only way to remain a champion player in the industry is to enhance technical value-added for its products. Therefore, Anxin-China will continue to put more emphasis on R&D for upgrading systematic structures, improving operational efficiency, diversifying systematic features and creating more satisfying customer experiences. In the meantime, the Group will devote more effort to designing the next-generation of ISD system/ISS and further penetrating the market with an integrated system that couples a unique touch interface with the capabilities of eliminating the information de-connectivity and processing ultra-large-scale data. This will ensure the Group’s technological leadership in the coming years, hence maintaining its profitability growth. The Group is also striving to achieve a closer cooperation with major universities. The strengthened partnerships with academic communities are expected to be a key driver for technical competitiveness of the Group and will bring inspiration for the development of more advanced ISD system and ISS solutions.

## FINANCIAL REVIEW AND ANALYSIS

### Consolidated Revenue and Gross Profit

For the six months ended 30 June 2013, the Group's consolidated revenue was approximately HK\$526,115,000 (six months ended 30 June 2012: HK\$405,937,000), an increase of approximately 30%. The gross profit within the period was HK\$455,628,000 (six months ended 30 June 2012: HK\$363,449,000), an increase of approximately 25%. The increase in the consolidated revenue and gross profit was due primarily to the jump in income from the increase in surveillance points under coverage.

### Segment Information

Details on Segment Information are present at note 4 to the condensed consolidated financial statements.

### Other Revenue

Other Revenue refers mainly to refund of value-added tax, interest income from bank deposit, subsidy income and rental income etc. During the reviewed period, the decrease is because part of the refund of value-added tax has not yet been received from the local Tax Bureau. The value of the refund of value-added tax was approximately HK\$30,935,000 (six months ended 30 June 2012: HK\$56,187,000).

### Other Gains and (Losses)

Other gains and (losses) refer to the impairment loss of goodwill of Yu Hong Group, gain on fair value changes on contingent consideration shares, foreign currency exchange difference, etc. Details are present at note 6 to the condensed consolidated financial statements. During the reviewed period, other gains amounted to HK\$2,098,000 (six months ended 30 June 2012: HK\$22,025,000). The change was mainly due to the reversal of impairment loss on trade receivables amounted to HK\$23,956,000 for the six months ended 30 June 2012.

### Selling and Distribution Costs

Selling and distribution costs decreased from HK\$74,279,000 for the six months ended 30 June 2012 to HK\$27,715,000 for the six months ended 30 June 2013. The decrease is primarily due to decrease in the Group's marketing partners' share options expense and net-off with increase in the equity settled share-based payment to the Group's consulting company. The expenses relating to the share options amounted to HK\$936,000, (six months ended 30 June 2012: HK\$61,112,000). The expense of equity settled share-based payment amounted to HK\$19,197,000 (six months ended 30 June 2012: HK\$9,598,000).

### Administrative Expenses

Administrative expenses mainly refer to the share option expenses arising from the staff share-based remuneration, staff salaries, office rental etc. The share option expenses amounted to approximately HK\$7,789,000 (six months ended 30 June 2012: HK\$9,280,000).

## Income Tax Expense

The decrease on the income tax expense for the six months ended 30 June 2013 is due to the decrease on the effective income tax rate of some PRC subsidiaries as compared with prior period.

## Profit attributable to owners of the Company

Profit attributable to owners of the Company for the period was approximately HK\$421,996,000 (six months ended 30 June 2012: HK\$297,573,000), an increased of 42%.

The driving force behind the increase in profit came from the total effect of increase in revenue, and decrease in selling and distribution costs, administrative expenses and income tax expenses.

## Earnings Per Share

The basic and diluted earnings per share for the period were HK14.74 cents (six months ended 30 June 2012: HK11.05 cents) and HK14.06 cents (six months ended 30 June 2012: HK11.04 cents) respectively.

## Capital expenditure

During the period, the Group acquired property, plant and equipment of approximately HK\$5,034,000 (six months ended 30 June 2012: HK\$4,350,000). There is no significant disposal of property, plant and equipment for the six months ended 30 June 2013.

## Liquidity and Financial Resources and Gearing Ratio

The Group's working capital requirement was funded primarily by cash flows and cash from operating activities. As at 30 June 2013, the Group had cash and cash equivalents amounting to approximately HK\$1,964,395,000. (31 December 2012: HK\$1,580,697,000)

For the six months ended 30 June 2013, the net cash inflow from operating activities amounted to approximately HK\$342,369,000 (six months ended 30 June 2012: HK\$211,777,000). The increase was due to the increase in revenue.

As at 30 June 2013, the Group does not have any bank borrowing (31 December 2012: Nil). As at 30 June 2013, the Group's gearing ratio (total liabilities/total assets) is 15.5% (31 December 2012: 16.5%), and the current ratio (current assets/current liabilities) stands at 4.10x (31 December 2012: 4.05x). The drop in gearing ratio and increase in current ratio were due to the increase in cash and cash equivalence under the current assets. The Group maintains a net cash position, which reflects its stable financial position to cater for its future expansion.

## Share Capital

For the six months ended 30 June 2013, 57,526,884 shares were issued for acquisition of subsidiaries together with exercise of share options, and 2,200,000 shares were repurchased and cancelled by the Group.

## Significant Investments

Under the reviewed period, the Group has no significant investments.

## ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 22 March 2013, the Group issued 40,622,884 shares, the third tranche consideration shares, for the acquisition of the entire equity interest of Teach Praise Group in 2012.

The Group did not have any acquisition and disposal of subsidiaries and associated companies during the period under review.

## DIVIDENDS

The Board has declared the payment of an interim dividend of HK1.4 cents (six months ended 30 June 2012: Nil) per share for the six months ended 30 June 2013. This interim dividend will be payable on 18 October 2013 to shareholders whose names appear on the register of members of the Company on 13 September 2013.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend payable to shareholders of the Company whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 13 September 2013, being the record date for determination of entitlement to the interim dividend, the Company's register of members will be closed on Friday, 13 September 2013. On 13 September 2013, no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 September 2013.

## EMPLOYEE INFORMATION

As at 30 June 2013, the Group employed a total of 521 employees (31 December 2012: 516). The Group regularly reviews the remuneration and benefits of employees according to the relevant market practice and individual performance of the employees. In addition to basic salary, employees are entitled to other benefits including the staff provident fund scheme and the discretionary bonus scheme.



The emoluments of the directors are reviewed and recommended by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, for Board approval. During the review period, the employment cost (including directors' emoluments) amounted to approximately HK\$24,974,000 (six months ended 30 June 2012: HK\$17,234,000).

## **CHARGE ON GROUP ASSETS**

As at 30 June 2013, the Group did not have any charges on its assets.

## **SHARES ISSUED AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, 24,030,000 share options with the exercise price of HK\$1.5 per share and 440,000 share options with the exercise price of HK\$2.25 per share were exercised, resulting in the issuance of 24,470,000 ordinary shares of HK\$0.1 each. 440,000 share options with the exercise price of HK\$2.25 per share will be exercised on 30 August 2013, and the 4<sup>th</sup> tranche of contingent consideration shares for the acquisition of the entire interest of Tech Praise Group will be allotted and issued on 6 September 2013, resulting in the issuance of 51,218,605 ordinary shares of HK\$0.1 each in total after the date of this report.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING**

The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests. The management, if considered beneficial to the future of the Group, may make new investments. In view of the market situation, the management may consider raising capital for funding new investments while reserving internal financial resources to support its core business.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND TREASURY POLICIES**

The Group mainly operates in Mainland China and most of the assets, liabilities and transactions of the Group are denominated in RMB. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi.

The Group does not expect any appreciation or depreciation of the Renminbi Yuan against foreign currency which might materially affects the Group's result of operations. The Group did not use any financial instruments to hedge its exposure to exchange rate risk during the period and the Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

## **CAPITAL COMMITMENTS**

The Group did not have any capital commitments that were contracted for as at 30 June 2013.

## **CONTINGENT LIABILITIES**

Except for the contingent consideration shares as disclose in Note 15 to the Condense Consolidated Financial Statements, the Group did not have any material contingent liabilities as at 30 June 2013.

## 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 Statement of Comprehensive Income as incurred. The contributions paid for the six months ended 30 June 2013 and 30 June 2012 were approximately HK\$764,000 and HK\$433,000 respectively. 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\$1,250 since June 2012 by each of the employee and the Group) on a monthly basis to the fund.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests or short positions of the Directors and the chief executive of the Company and their associates in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Number of Shares held		Number of options held		Approximate percentage of total issued ordinary Shares
	Personal Interest	Corporate Interest	Personal Interest	Total	
Mr. Liu Zhongkui	9,160,000	–	1,040,000	10,200,000	0.35
Mr. Lin Supeng	1,560,000	–	1,040,000	2,600,000	0.09
Mr. Yang Ma	1,560,000	–	1,040,000	2,600,000	0.09

Note: The percentage has been calculated based on the total number of 2,881,487,808 ordinary shares of the Company in issue as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, none of the Directors and the chief executive of the Company and their associates had interests or short positions in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from the details as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No Director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time during the six months ended 30 June 2013.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the six months ended 30 June 2013.

## **SHARE OPTION SCHEME**

On 3 November 2003, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") as an incentive to selected participants. The Share Option Scheme will expire on 2 November 2013. 16,904,000 share options were exercised during the period under review. The share option expense that was charged to the income statement was approximately HK\$8,724,000 (six months ended 30 June 2012: approximately HK\$70,392,000). No options has been granted, cancelled or lapsed during the six months ended 30 June 2013. There are 141,916,000 share options outstanding as at 30 June 2013.

Movements of the options, which were granted and exercised under the Share Option Scheme, during the period under review were listed below:

Category	Date of grant	Number of share option held as at 01/01/2013	Number of share option granted during the period	Number of share option exercised during the period	Number of share option lapsed during the period	Number of share option held as at 30/06/2013	Exercise price HK\$	Exercise period
Directors:								
Mr. Liu Zhongkui	16 April 2012	2,600,000 (Note)	–	(1,560,000)	–	1,040,000	1.5	16/04/2012 – 15/04/2015 (Note)
Mr. Lin Supeng	16 April 2012	2,600,000 (Note)	–	(1,560,000)	–	1,040,000	1.5	16/04/2012 – 15/04/2015 (Note)
Mr. Yang Ma	16 April 2012	2,600,000 (Note)	–	(1,560,000)	–	1,040,000	1.5	16/04/2012 – 15/04/2015 (Note)
Other eligible participants:								
Consultants	1 April 2011	37,000,000	–	–	–	37,000,000	2.25	01/04/2011 – 02/11/2013
Consultants	16 April 2012	77,800,000 (Note)	–	(3,120,000)	–	74,680,000	1.5	16/04/2012 – 15/04/2015 (Note)
Employee	16 April 2012	33,620,000 (Note)	–	(9,104,000)	–	24,516,000	1.5	16/04/2012 – 15/04/2015 (Note)
Substantial shareholder	16 April 2012	2,600,000 (Note)	–	–	–	2,600,000	1.5	16/04/2012 – 15/04/2015 (Note)
		<u>158,820,000</u>	<u>–</u>	<u>(16,904,000)</u>	<u>–</u>	<u>141,916,000</u>		

Note:

These share options are exercisable within the said exercise period in the following manner:

1. 110,500,000 share options : any time within the exercise period, i.e. 16 April 2012 to 15 April 2015
  
2. 1,500,000 share options :
  - (i) up to one-third of the grantee's entitlement from the date of grant, i.e. 16 April 2012;
  
  - (ii) up to two-thirds of the grantee's entitlement from the date after the expiry of 12 months from the date of grant, i.e. 16 April 2013; and
  
  - (iii) up to the grantee's full entitlement from the date after the expiry of 24 months from the date of grant, i.e. 16 April 2014.
  
3. 46,820,000 share options :
  - (i) up to 30% of the grantee's entitlement from the date of grant, i.e. 16 April 2012;
  
  - (ii) up to 60% of the grantee's entitlement from the date after the expiry of 12 months from the date of grant, i.e. 16 April 2013; and
  
  - (iii) up to the grantee's full entitlement from the date after the expiry of 24 months from the date of grant, i.e. 16 April 2014.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the following persons or companies (other than the Directors and chief executives of the Company) had interest or short positions in the shares or underlying shares of the Company 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 Company's issued share capital were as follow:

<b>Name of substantial shareholder</b>	<b>Capacity in which shares were held</b>	<b>Number of shares</b>	<b>Number of underlying shares</b>	<b>Total</b>	<b>Approximate percentage of shareholding</b>
Chen Hong	Interest of controlled corporation (Note 3)	585,792,000	2,600,000	588,392,000	20.42%
Jin Yong Investments Limited	Beneficial owner (Note 3)	231,916,000	0	231,916,000	8.05%
Elite Achieve Limited	Beneficial owner (Note 3)	233,184,000	0	233,184,000	8.09%

Notes:

1. The above are all long positions in the ordinary shares of the Company.
2. The percentage has been calculated based on the total number of 2,881,487,808 ordinary shares of the Company in issue as at 30 June 2013.
3. The 120,692,000 shares are owned by Mr. Chen Hong in person. The 231,916,000 shares and 233,184,000 shares are owned by Jin Yong Investments Limited and Elite Achieve Limited respectively. Both Jin Yong Investments Limited and Elite Achieve Limited are wholly owned by Mr. Chen Hong. Therefore, Mr. Chen Hong is deemed to be interested in the shares held by Jin Yong Investments Limited and Elite Achieve Limited under the SFO.

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any other person (other than the Directors or Chief Executive of the Company, whose interests are set out in the paragraph headed "Directors' and Chief Executives Interest and Short Positions in Shares and Underlying Shares"), had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register kept by the Company under Part XV of the SFO.

## MANAGEMENT CONTRACTS

No contract 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 six months ended 30 June 2013.

## CONNECTED AND RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2013, except for those disclosed in note 20 to the financial statements, the Group had no transactions with related or connected parties.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2013, the Company acquired an aggregate of 2,200,000 of its own shares through purchases on the Stock Exchange at an aggregate consideration of HK\$3,575,000 with a view to benefit its shareholders as a whole in enhancing the net assets and earnings per share of the Company. Details of the repurchase are as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
April 2013	2,200,000	1.64	1.61	3,575,000
Total expenses on shares repurchased				9,000
				<u>3,584,000</u>

All the 2,200,000 shares repurchased were cancelled on delivery of the share certificates during the six months ended 30 June 2013. The issued share capital of the Company was accordingly reduced by the par value of the repurchased shares so cancelled.

During six months ended 30 June 2013, the Company instructed the trustee to purchase an aggregate of 12,076,000 of its own shares through purchases on the Stock Exchange at an aggregate consideration of HK\$19,815,000 pursuant to the terms of the rules and trust deed of the share award scheme adopted on 8 April 2013. Details of the purchases are as follows:

Month of purchase	Number of shares purchased	Purchase price per share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
April 2013	12,076,000	1.70	1.60	19,815,000
Total expenses on shares purchased				63,000
				<u>19,878,000</u>

All the 12,076,000 shares purchased were held by the trustee as award shares for vesting to eligible employees in future and were not cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2013.

## CORPORATE GOVERNANCE

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 six months ended 30 June 2013, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules, save for the deviations from code provisions A2.1, A4.1 and A6.7 which are explained below.

### Code Provision A2.1

According to the code provision A2.1 of the Corporate Governance Code, the roles of the chairman and the chief executive officer (the "CEO") should be segregated and should not be performed by the same individual. However, Mr. Liu Zhongkui currently holds the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

### Code Provision A4.1

According to the code provision A4.1 of the Corporate Governance Code, non-executive directors should be appointed for a specific term and subject to re-election. All independent non-executive Directors are appointed for a specific term except for Mr. Cheung Chuen who was not appointed for a specific term but he is subject to retirement by rotation and re-election at the annual general meeting of the Company at least once for every three years according to the articles of association of the Company. The Company considered that such practice meets the same objective and is no less exacting than those prescribed under the code provision A4.1 of the Corporate Governance Code.



## Code Provision A6.7

According to the code provision A6.7 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, Mr. Adiv Baruch, a non-executive Director, and Mr. Chen Feng, an independent non-executive Director, could not attend the 2013 annual general meeting held on 31 May 2013 ("2013 AGM"). However, at the 2013 AGM, there were executive Directors and all other non-executive Director and independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Shareholders.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry with all Directors, the Company confirmed that in respect of the six months ended 30 June 2013, all Directors had complied with the required standard set out in the Model Code.

## AUDIT COMMITTEE

The audit committee is established with written terms of reference in compliance with the Corporate Governance Code. The audit committee has three members, including the Company's three independent non-executive Directors, namely Professor Li On-kwok, Victor, Mr. Xie Baitang and Mr. Cheung Chuen. Mr. Cheung Chuen is the chairman of the committee. The primary 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 staff responsible for the accounting and financial reporting function, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. Besides, the audit committee will make recommendations to the Board on matters regarding the appointment of external auditors and auditing fee etc. The audit committee had reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

## NOMINATION COMMITTEE

The nomination committee is established with a defined terms of reference in consistent with the Corporate Governance Code. The primary duties of the nomination committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Directors.

The nomination committee is led by Mr. Liu Zhongkui, the executive Director, the chairman and the CEO. Members of the nomination committee include Mr. Xie Baitang, Mr. Cheung Chuen and Professor Li On-kwok, Victor, all are independent non-executive Directors.

## REMUNERATION COMMITTEE

The remuneration committee is established with a defined terms of reference in consistent with the Corporate Governance Code. The primary duties of the remuneration committee include 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 remuneration committee is led by Mr. Xie Baitang, an independent non-executive Director. Members of the remuneration committee include Professor Li On-kwok, Victor and Mr. Cheung Chuen both are independent non-executive Directors.

## CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee is established with a defined terms of reference in consistent with the Corporate Governance Code. The primary duties of the corporate governance committee include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report annually.

The corporate governance committee is led by Mr. Liu Zhongkui, the executive Director, the chairman and the CEO. Members of the corporate governance committee include Mr. Xie Baitang, Mr. Cheung Chuen and Professor Li On-kwok, Victor, all are independent non-executive Directors.

## REVIEW OF ACCOUNTS

These unaudited condensed consolidated interim financial statements have been reviewed by the Company's auditors.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company discloses the changes in information of the Directors as follows:

### Changes in Directors

On 5 June 2013, Mr. Chen Feng has resigned as an independent non-executive Director, members of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee of the Company.

On 5 June 2013, Professor Li On-kwok, Victor has been appointed as an independent non-executive Director, the members of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee of the Company.

## Change in particulars of the Directors

Mr. Wang, John Peter Ben has resigned as non-executive director of China Precious Metal Resources Holdings Co. Ltd. (a company listed on the Main Board of the Stock Exchange) with effect from 31 December 2012 and subsequent to the period under review, Mr. Wang has been re-designated as from the chairman of the board to the deputy chairman of the board of Summit Ascent Holdings Limited (a company listed on the Main Board of the Stock Exchange) with effect from 10 July 2013.

## APPRECIATION

I would like to take this opportunity to extend my deepest gratitude to the Directors and staff as a whole for their immense contribution, dedication and diligence during the period under review.

By order of the board

**Liu Zhongkui**

*Chairman and CEO*

29 August 2013

*As at the date of this report, the executive directors of the Company are Mr. Liu Zhongkui, Mr. Wang Bo, Mr. Lin Supeng and Mr. Yang Ma; the non-executive directors of the Company are Mr. Adiv Baruch and Mr. Wang, John Peter Ben and the independent non-executive directors of the Company are Mr. Cheung Chuen, Mr. Xie Baitang and Professor Li On-kwok, Victor.*