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FinTronics

银创控股

FINTRONICS HOLDINGS COMPANY LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 706)

SUPPLEMENTAL DEED TO THE LOAN AGREEMENT

Reference is made to the First Announcement dated 22 November 2006 in relation to, among other matters, the Loan Agreement and the announcement of the Company dated 14 December 2006 in relation to the delay in despatch of the circular of the Company containing further details of the Loan Agreement and the Company.

On 10 January 2007, the Company and Customers entered into the Supplemental Deed to alter certain terms and conditions of the Loan Agreement, details of which are set out in the section headed "Supplemental Deed" below.

The circular containing further details of the Loan Agreement and the Company and the notice of the SGM will be despatched to the shareholders of the Company as soon as practicable.

Reference is made to the announcement ("**First Announcement**") of FinTronics Holdings Company Limited ("**Company**") dated 22 November 2006 in relation to, among other matters, the Loan Agreement and the announcement of the Company dated 14 December 2006 in relation to the delay in despatch of the circular of the Company containing further details of the Loan Agreement and the Company. Unless otherwise specified, terms defined in the First Announcement shall have the same meanings when used in this announcement.

SUPPLEMENTAL DEED

On 10 January 2007, the Company and Customers entered into a supplemental deed (“**Supplemental Deed**”) to alter certain terms and conditions of the Loan Agreement, details of which are set out below:

Section headed “B. The Loan Agreement dated 14 November 2006” in the First Announcement

As amended by the Supplemental Deed

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| 1. Parties | No change. |
| 2. Principal terms of the Loan Agreement | |
| (a) Principal amount of the Loan | No change. |
| (b) Drawdown conditions | No change. As at the date of this announcement, the Company had not served the drawdown notice to Customers as certain conditions precedent to the drawdown of the Loan had not been fulfilled. |
| (c) Interest rate: | No change. |
| (d) Shareholders’ Approval | The Company has undertaken to convene the SGM for obtaining the Shareholders’ Approval for the issue of Shares pursuant to the terms and conditions of the Loan Agreement on or before 28 February 2007. In the event that the Shareholders’ Approval cannot be obtained on or before 28 February 2007, the Company shall repay the Loan with the interest accrued to Customers within 90 days from the date of the SGM. |
| (e) Repayment date | Save for any early repayment of the Loan as aforesaid or any conversion of the Loan into Shares pursuant to the terms and conditions of the Loan Agreement, the outstanding principal amount of the Loan is repayable by the Company upon its maturity on the date falling three years from the Drawdown Date (“Repayment Date”). |
| (f) Conversion right | Subject to the obtaining of the Shareholders’ Approval:

(a) Customers shall be entitled to exercise the conversion right under the Loan Agreement to convert the principal of the Loan, in whole or in part, into Shares at any time up to the Repayment Date; and |

- (b) if it is established that the 2006 Adjusted NAV (as defined below) is less than HK\$161,998,000 and if Customers exercises the conversion right under the Loan Agreement to convert the principal of the Loan, in whole or in part, into Shares within 12 months from the date of the SGM, the Company shall on or before the seventh business day after the first anniversary of the SGM allot and issue, credited as fully paid such number of Shares to Customers as calculated in accordance with the following formula:

$$A = (S \times B)/P$$

where

- A is the integral amount (rounding down the nearest whole number) of the additional Shares to be allotted and issued pursuant to paragraph (b) above;
- B is equal to the percentage shareholding of Customers in the Company as at the first anniversary of SGM (taking a two decimal place);
- P is equal to the then applicable Conversion Price; and
- S is the amount being HK\$161,998,000 less the 2006 Adjusted NAV (as defined below) and provided that where such difference is a negative amount, S shall be deemed to be zero (0) and provided further that where the 2006 Adjusted NAV is a negative figure, the 2006 Adjusted NAV is deemed to be zero (0).

For the avoidance of doubt, the Company shall not be under any obligation to allot and issue any additional Shares to Customers under paragraph (b) above in the event that Customers has not exercised the conversion right under the Loan Agreement to convert the principal of the Loan, in whole or in part, into Shares within 12 months from the date of the SGM.

“**2006 Adjusted NAV**” shall mean the value of the total assets of the Group as at 31 December 2006 less (a) the total liabilities of the Group as at 31 December 2006; (b) the value of goodwill and intangible assets of the Group as at 31 December 2006 and (c) certain specified deposit and prepayment of the Group of HK\$32,688,000, and without taking into account the effect (if any) of any disposals of equity interests in other entities by any member of the Group implemented after 31 December 2006 on such value of total assets.

For the purposes of ascertaining the 2006 Adjusted NAV, the figures as appeared on the audited balance sheet as at 31 December 2006 (and the notes thereto) comprised in the audited consolidated financial statements of the Group for the year ended 31 December 2006, as audited by the Company’s then auditors, shall form the basis of calculation.

(g) Conversion price

No change.

- (h) Compulsory conversion
- (i) Subject to the obtaining of the Shareholders' Approval and provided that the weighted average closing price of the Shares quoted at the Stock Exchange from the first day of the 25th month after the Drawdown Date to the last day of the 36th month after the Drawdown Date ("Average Trading Price") is equal to or higher than the then par value of each Share, in the event that the Company has failed to pay the Loan on the Repayment Date and Customers has not exercised its conversion rights in full prior to such date, the outstanding principal amount of the Loan shall be automatically converted into Shares at a conversion price equivalent to the Average Trading Price.

On the other hand, where the Average Trading Price is lower than the then par value of the Shares, the Company shall repay the Loan and the outstanding interest in full in cash within seven business days from the last day of the 36th month after the Drawdown Date.

- (ii) In the event an event of default has occurred after the SGM but before the first anniversary of the SGM and is continuing as at the Repayment Date (other than in the case where the Repayment Date falls on the three years from the Drawdown Date as contemplated in the above paragraph), Customers has the right to elect to request for repayment of the Loan and the outstanding interest in cash or convert the principal amount of the Loan into Shares at the conversion price of HK\$0.26 per Share (subject to adjustment).
- (iii) In the event an event of default has occurred after the first anniversary of the SGM and is continuing as at the Repayment Date (other than in the case where the Repayment Date falls on the three years from the Drawdown Date as contemplated in the above paragraph), Customers has the right to elect to request for repayment of the Loan and the outstanding interest in cash or convert the principal amount of the Loan into Shares at the conversion price equivalent to the lower of (i) HK\$0.26 per Share (subject to adjustment) and (ii) the weighted average closing price of the Shares quoted at the Stock Exchange from the first anniversary of SGM to the date on which such event of default first occurs for so long as such weighted average closing price of the Shares quoted at the Stock Exchange is equal to or higher than the then par value of the Shares.

In the event that the weighted average closing price of the Shares quoted at the Stock Exchange from the first anniversary of SGM to the date on which such event of default first occurs is lower than the par value of the Shares, the conversion price shall be the par value of the Shares.

3. Conversion Shares Customers' right to convert the Additional Amount into New Shares in the event that the net asset value of the Group as at completion of the Subscription Agreement is less than HK\$322,499,350 is removed. The obligation to appoint a firm of auditors to issue a certificate for the assessment of the true and fair value of the net assets value of the Group as at the date of completion of the Subscription is also removed.
4. Reasons for the Loan and use of proceeds No change.

5. Connected transaction No change.

Save as mentioned in this announcement and other corresponding changes to the Loan Agreement, there is no other amendment to the major terms of the Loan Agreement.

CHANGES IN SHAREHOLDING

Set out below are the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after full conversion of the Loan (assuming the conversion price per Share is HK\$0.26); (iii) immediately after full conversion of the Loan (assuming the conversion price per Share is the par value of the Share, i.e. HK\$0.10) and (iv) immediately after full conversion of the Loan (assuming full conversion of the Loan takes place within 12 months of the Drawdown Date, the Adjusted NAV is zero and the conversion price per Share is HK\$0.10):

	As at the date of this announcement	%	Immediately after full conversion of the Loan (assuming that the conversion price is HK\$0.26 per Share)	%	Immediately after full conversion of the Loan (assuming that the conversion price is the par value of the Share, i.e. HK\$0.10 per Share)	%	Immediately after full conversion of the Loan takes place within 12 months of the Drawdown Date, the Adjusted NAV is zero and the conversion price per Share is HK\$0.10)	%
Leading Value Industrial Limited (note 1)	264,869,906	19.36	264,869,906	16.47	264,869,906	13.30	264,869,906	9.92
Directors (note 2)	40,040,000	2.93	40,040,000	2.49	40,040,000	2.01	40,040,000	1.50
Other public Shareholders	852,878,094	62.36	852,878,094	53.05	852,878,094	42.82	852,878,094	31.94
Customers	210,000,000	15.35	450,000,000	27.99	834,000,000	41.87	1,512,285,626	56.64
TOTAL	1,367,788,000	100	1,607,788,000	100	1,991,788,000	100	2,670,073,626	100

Notes:

1. Leading Value Industrial Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Sze Wai, Marco, an executive Director.
2. Included in this category are Mr. Robert Kenneth Gaunt, Mr. Song Jing Sheng and Mr. Gu Peijian, all of whom are executive Directors.

CONNECTED TRANSACTION

Following the completion of the Subscription Agreement and as at the date of this announcement, Customers is interested in 210,000,000 Shares, representing approximately 15.35% of the issued share capital of the Company and is therefore a connected person of the Company.

The Loan will constitute financial assistance provided by a connected person. Since the Loan is for the benefit of the Company on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance, it is exempted from reporting, announcement and independent shareholders' approval requirement under Rule 14A.65(4) of the Listing Rules.

In the event that Customers remains as a connected person of the Company when it exercises its conversion rights pursuant to the Loan Agreement, any issue of Shares to Customers will constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules and is subject to independent shareholders' approval at the SGM.

GENERAL

The Company will convene the SGM as soon as practicable to consider, among other things, the issue of Shares pursuant to the Loan Agreement. The Company will send a circular containing, among other matters, details of the Loan Agreement, a letter from an independent financial adviser, a letter from the independent board committee and a notice of the SGM to all shareholders of the Company as soon as practicable. So far as the Directors are aware, Customers, who owns approximately 15.35% of the issued share capital of the Company, and Mr. Robert Kenneth Gaunt, who is an executive Director and a director of Customers, are required to abstain from voting in respect of the resolutions proposed to be passed at the SGM, and no other Shareholder is required to abstain from voting at the SGM.

As at the date of this announcement, the Directors are as follows:

<i>Executive Directors</i>	Mr. Sze Wai, Marco, Mr. Chu Chi Shing, Mr. Robert Kenneth Gaunt, Mr. Robertus Martinus Andreas Broers, Mr. Gu Peijian and Mr. Song Jing Sheng
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<i>Independent non-executive Directors</i>	Mr. Wong Po Yan, Mr. Mao Zhenhua and Mr. Chong Yiu Kan, Sherman
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By order of the board of directors of
FinTronics Holdings Company Limited
Sze Wai, Marco
Chairman

Hong Kong, 10 January 2007

Please also refer to the published version of this announcement in China Daily.