

FinTronics

銀創控股

FINTRONICS HOLDINGS COMPANY LIMITED

銀創控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock code: 706)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

| | Note | 2006 HK\$'000 | 2005 HK\$'000 (restated) |
|---|-------|----------------------|--------------------------------|
| Continuing operations | | | |
| Turnover | 3 | 77,012 | 102,971 |
| Cost of sales | | (70,109) | (90,465) |
| Gross profit | | 6,903 | 12,506 |
| Valuation gains on investment properties | | – | 2,050 |
| | | 6,903 | 14,556 |
| Other income | 4 | 13,994 | 5,982 |
| Administrative expenses | | (61,311) | (28,634) |
| Other operating expenses | | (145,675) | (18,931) |
| Loss from operations | | (186,089) | (27,027) |
| Finance costs | 5 | (3,158) | (2,365) |
| Share of losses of associates | | (1,117) | (378) |
| Loss before tax | | (190,364) | (29,770) |
| Income tax credit (expense) | 6 | 408 | (961) |
| Loss for the year from continuing operations | | (189,956) | (30,731) |
| Discontinued operations | | | |
| Loss for the year from discontinued operations | 7(b) | (9,796) | (45,555) |
| Loss for the year | 8 | (199,752) | (76,286) |
| Attributable to: | | | |
| Equity holders of the Company | | (202,132) | (78,240) |
| Minority interests | | 2,380 | 1,954 |
| | | (199,752) | (76,286) |
| Loss per share | | | |
| From continuing and discontinued operations: | | | |
| Basic | 10(a) | (20.34) cents | (13.09) cents |
| Diluted | 10(a) | N/A | N/A |
| From continuing operations: | | | |
| Basic | 10(b) | (19.12) cents | (5.14) cents |
| Diluted | 10(b) | N/A | N/A |
| From discontinued operations: | | | |
| Basic | 10(c) | (1.22) cents | (7.95) cents |
| Diluted | 10(c) | N/A | N/A |

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

| | <i>Note</i> | 2006 HK\$'000 | 2005 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Fixed assets | | | |
| Investment properties | | 8,350 | 8,350 |
| Property, plant and equipment | | 49,825 | 7,975 |
| Prepaid land lease payments | | 4,318 | 4,322 |
| | | <u>62,493</u> | <u>20,647</u> |
| Goodwill | | 45,629 | – |
| Intangible assets | | 42,375 | 1,469 |
| Interests in associates | | – | 79,789 |
| Pledged deposits | | 17,516 | 17,516 |
| Prepayments for investments | | – | 141,322 |
| | | <u>168,013</u> | <u>260,743</u> |
| Current assets | | | |
| Inventories | | – | 1,153 |
| Trade and other receivables | 12 | 20,768 | 133,577 |
| Bank and cash balances | | 92,348 | 12,324 |
| Current tax assets | | – | 603 |
| | | <u>113,116</u> | <u>147,657</u> |
| Assets classified as held for sale | 13(b) | 90,806 | – |
| | | <u>203,922</u> | <u>147,657</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 29,672 | 74,406 |
| Bank loans and overdraft | | 45,736 | 64,316 |
| Finance lease payables | | 496 | – |
| Current tax liabilities | | 432 | 552 |
| | | <u>76,336</u> | <u>139,274</u> |
| Liabilities classified as held for sale | 13(b) | 69,252 | – |
| | | <u>145,588</u> | <u>139,274</u> |
| Net current assets | | <u>58,334</u> | <u>8,383</u> |
| Total assets less current liabilities | | <u>226,347</u> | <u>269,126</u> |
| Non-current liabilities | | | |
| Finance lease payables | | 630 | – |
| Deferred tax liabilities | | 11,331 | 4,044 |
| | | <u>11,961</u> | <u>4,044</u> |
| Net assets | | <u>214,386</u> | <u>265,082</u> |
| Capital and reserves | | | |
| Share capital | | 136,778 | 52,864 |
| Reserves | | 70,385 | 208,533 |
| Equity attributable to equity holders of the Company | | <u>207,163</u> | <u>261,397</u> |
| Minority interests | | 7,223 | 3,685 |
| Total equity | | <u>214,386</u> | <u>265,082</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and investment properties which are carried at fair value.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise HKFRS; HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. TURNOVER

The Group’s turnover is as follows:

| | 2006 <i>HK\$’000</i> | 2005 <i>HK\$’000</i> (restated) |
|---|-------------------------|---------------------------------------|
| Provision of ATM services | 6,282 | – |
| Sale of integrated circuits and computer software | 70,730 | 102,364 |
| Unallocated | – | 607 |
| Manufacture and sale of computer related products | – | 87,105 |
| Software development and systems integration services | 79,193 | 49,430 |
| | <u>156,205</u> | <u>239,506</u> |
| Representing: | | |
| Continuing operations | 77,012 | 102,971 |
| Discontinued operations (<i>note 7</i>) | 79,193 | 136,535 |
| | <u>156,205</u> | <u>239,506</u> |

4. OTHER INCOME

| | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> (restated) |
|---|-------------------------|---------------------------------------|
| Gain on disposal of an associate | 2,390 | – |
| Gain on disposals of property, plant and equipment | 86 | – |
| Gain on disposals of partial interest in subsidiaries | – | 3,037 |
| Government grants (note a) | 1,690 | – |
| Interest income | 679 | 3,520 |
| Rental income from investment properties | 362 | 314 |
| Value added tax (“VAT”) refund (note b) | 318 | 988 |
| Wavier of amounts due to associates | 9,347 | – |
| Others | 2,835 | 572 |
| | <u>17,707</u> | <u>8,431</u> |

Representing:

| | | |
|----------------------------------|---------------|--------------|
| Continuing operations | 13,994 | 5,982 |
| Discontinued operations (note 7) | 3,713 | 2,449 |
| | <u>17,707</u> | <u>8,431</u> |

(a) During the year ended 31 December 2006, the Group has been granted certain financial supports from the PRC government authorities to encourage innovation in software development.

(b) Pursuant to the relevant approval document issued by the tax authorities in the People’s Republic of China (“PRC”), subsidiaries of the Group operated in the PRC are entitled to a refund of VAT on the sales of self-developed software. The VAT refund represents the amount of VAT paid in excess of 3% of income generated from the sales of self-developed software. The amount of VAT refund is recognised as other income when the refund is approved by the relevant tax authorities.

5. FINANCE COSTS

| | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> (restated) |
|--------------------------------------|-------------------------|---------------------------------------|
| Finance lease charges | 49 | – |
| Interest on bank loans and overdraft | 4,401 | 3,402 |
| Other borrowing costs | – | 31 |
| | <u>4,450</u> | <u>3,433</u> |

Representing:

| | | |
|----------------------------------|--------------|--------------|
| Continuing operations | 3,158 | 2,365 |
| Discontinued operations (note 7) | 1,292 | 1,068 |
| | <u>4,450</u> | <u>3,433</u> |

6. INCOME TAX EXPENSE

| | Continuing operations | | Discontinued operations | | Total | |
|---|-----------------------|--------------------------------|-------------------------|--------------------------------|------------------|--------------------------------|
| | 2006 HK\$'000 | 2005 HK\$'000 (restated) | 2006 HK\$'000 | 2005 HK\$'000 (restated) | 2006 HK\$'000 | 2005 HK\$'000 (restated) |
| Current tax – Hong Kong Profits Tax | | | | | | |
| Underprovision in prior years | – | (19) | – | – | – | (19) |
| Current tax – PRC | | | | | | |
| Provision for the year | – | – | (584) | (318) | (584) | (318) |
| Underprovision in prior years | – | – | (148) | – | (148) | – |
| | – | – | (732) | (318) | (732) | (318) |
| Deferred tax | | | | | | |
| Origination and reversal of temporary differences | 408 | (942) | – | (448) | 408 | (1,390) |
| | 408 | (961) | (732) | (766) | (324) | (1,727) |

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2006 (2005: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year.

The PRC income tax of the Group represents provisions for the PRC income tax on profits of subsidiaries in the PRC which have been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries. The associates of the Group sustained loss for taxation purpose during the years ended 31 December 2006 and 2005.

7. DISCONTINUED OPERATIONS

(a) Disposal of the Chatex Group

In May 2005, the Group entered into an equity transfer agreement with an independent third party to dispose of Chatex Investment Limited and its subsidiaries (the “Chatex” Group), which carried out all of the Group’s manufacturing and selling activities of computer related products. The disposal was completed in July 2005 and was classified as discontinued operations in 2005.

(b) Plan to dispose of the systems integration services (the “SI operations”)

Pursuant to an agreement dated 19 January 2007 entered into between a subsidiary of the Company, Stepping Stones Limited (the “Vendor”) and an independent third party (the “Purchaser”), the Vendor disposed of 100% interest in three wholly-owned subsidiaries engaged in the provision of the SI operations, Start-tech (Fujian) Software and System Co., Limited (“Start-tech (Fujian)”), Fuzhou Start Medical System Co., Limited (“Fuzhou Start Medical Systems”) and Start-tech (Guangzhou) Medical Systems Co., Limited (“Start-tech (Guangzhou)”), collectively the SI Companies, together with the interests in other companies held by each of the SI Companies, to the Purchaser at a consideration of HK\$14,330,000. The disposal is consistent with the Group’s long-term policy to focus its activities on the ATM business. On initial reclassification of the SI operations as held for sale, the Group has recognised an impairment loss of approximately HK\$14,420,000.

The loss for the year from the discontinued operations is analysed as follows:

| | 2006 HK\$'000 | 2005 HK\$'000 (restated) |
|---|------------------|--------------------------------|
| Loss of discontinued operations | (8,638) | (31,401) |
| Loss on partial disposal of a subsidiary interest to a minority shareholder | (1,158) | – |
| Loss on disposal of subsidiaries | – | (14,154) |
| | (9,796) | (45,555) |

The results of the discontinued operations for the years ended 31 December 2006 and 2005 which have been included in the consolidated income statement are as follows:

| | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> (restated) |
|---|--------------------------------|---------------------------------------|
| Turnover | 79,193 | 136,535 |
| Cost of sales | (54,608) | (108,928) |
| Gross profit | 24,585 | 27,607 |
| Other income | 3,713 | 2,449 |
| Selling and distribution expenses | (5,514) | (7,898) |
| Administrative expenses | (12,447) | (15,922) |
| Finance costs | (1,292) | (1,068) |
| Other operating expenses | (2,347) | (23,286) |
| Share of losses of an associate | (184) | (12,517) |
| Impairment losses on non-current assets held for sale | (14,420) | – |
| Loss on partial disposal of a subsidiary interest to a minority shareholder | (1,158) | – |
| Loss on disposal of subsidiaries | – | (14,154) |
| Loss before tax | (9,064) | (44,789) |
| Income tax expense | (732) | (766) |
| Loss for the year | (9,796) | (45,555) |

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

| | 2006 <i>HK\$'000</i> | 2005 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Amortisation of intangible assets (included in administrative expenses) | 2,915 | 938 |
| Auditor's remuneration | 1,562 | 1,461 |
| Cost of inventories sold (including write down of inventories)* | 124,717 | 191,421 |
| Depreciation | 7,213 | 8,779 |
| Exchange losses/(gains), net | 372 | (171) |
| Impairment losses on associates (included in other operating expenses) | – | 3,321 |
| Impairment losses on goodwill (included in other operating expenses) | 77,000 | – |
| Impairment losses on intangible assets (included in other operating expenses) | – | 3,423 |
| Impairment losses on inventories | – | 448 |
| Impairment losses on non-current assets held for sale | 14,420 | – |
| Impairment losses on receivables (included in other operating expenses) | 38,482 | 35,024 |
| Impairment losses on prepayments for investments (included in other operating expenses) | 32,500 | – |
| Loss on disposal of an associate | – | 1 |
| Loss on disposals of property, plant and equipment | – | 635 |
| Loss on partial disposal of a subsidiary interest to a minority shareholder | 1,158 | – |
| Loss on disposal of subsidiaries | – | 14,154 |
| Operating lease charges in respect of land and buildings | 4,026 | 1,857 |
| Rental income from investment properties less direct outgoings of HK\$14,247 (2005: HK\$12,000) | (348) | (302) |
| Staff costs including directors' emoluments | | |
| Contributions to defined contribution schemes | 1,365 | 1,217 |
| Salaries, wages and other benefits | 21,064 | 24,190 |
| Equitysettled share-based payments | 4,533 | – |
| | 26,962 | 25,407 |

* Write down of inventories for the year ended 31 December 2006 was Nil (2005: HK\$1,903,000).

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2006 (2005: Nil).

10. LOSS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss (2005: loss) per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK\$202,132,000 (2005: HK\$78,240,000) and the weighted average number of ordinary shares of 993,623,000 (2005 (restated): 597,598,000) in issue during the year.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2006 and 2005.

(b) From continuing operations

Basic loss per share

The calculation of basic loss (2005: loss) per share from continuing operations attributable to equity holders of the Company is based on the loss for the year from continuing operations attributable to equity holders of the Company of approximately HK\$189,956,000 (2005 (restated): HK\$30,731,000) and the denominators used are the same as that detailed above for basic loss per share.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2006 and 2005.

(c) From discontinued operations

Basic loss per share

Basic loss (2005: loss) per share from discontinued operations attributable to equity holders of the Company is based on the loss for the year from discontinued operations attributable to equity holders of the Company of approximately HK\$12,176,000 (2005 (restated): HK\$47,509,000) and the denominators used are the same as those detailed above for basic loss per share.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2006 and 2005.

11. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group comprises the following main business segments:

Software development and systems integration services: Development of application software and provision of systems integration services for specific industries.

Sale of integrated circuits and computer software: Trading of integrated circuits and computer software.

Automatic teller machines services: Provision of “automatic teller machines” services

| | Continuing operations | | | | | | Discontinued operations | | | | | | Consolidated | |
|---|---|----------------|------------------------------------|------------|-------------|------------|---|---------------|---|---------------|-----------------------------------|------------|------------------|------------------|
| | Sale of integrated circuits and computer software | | Automatic teller machines services | | Unallocated | | Manufacture & sale of computer related products | | Software development & systems integration services | | Information localisation services | | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | 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 |
| | | (restated) | | (restated) | | (restated) | | (restated) | | (restated) | | (restated) | | (restated) |
| Revenue from external customers | 70,730 | 102,364 | 6,282 | - | - | 607 | - | 87,105 | 79,193 | 49,430 | - | - | 156,205 | 239,506 |
| Other income from external customers | 58 | 314 | - | - | 165 | - | - | 41 | 3,387 | 1,396 | - | - | 3,610 | 1,751 |
| | <u>70,788</u> | <u>102,678</u> | <u>6,282</u> | <u>-</u> | <u>165</u> | <u>607</u> | <u>-</u> | <u>87,146</u> | <u>82,580</u> | <u>50,826</u> | <u>-</u> | <u>-</u> | <u>159,815</u> | <u>241,257</u> |
| Segment results (note i) | (29,804) | 8,340 | (87,688) | - | - | - | - | (7,410) | (5,655) | (7,554) | - | - | (123,147) | (6,624) |
| Unallocated operating income and expenses | - | - | - | - | - | - | - | - | - | - | - | - | (70,530) | (51,607) |
| Loss from operations | - | - | - | - | - | - | - | - | - | - | - | - | (193,677) | (58,231) |
| Finance costs | - | - | - | - | - | - | - | - | - | - | - | - | (4,450) | (3,433) |
| Share of losses of associates | - | - | (1,117) | (378) | - | - | - | (122) | (184) | - | - | (12,395) | (1,301) | (12,895) |
| Income tax expense | - | - | - | - | - | - | - | - | - | - | - | - | (324) | (1,727) |
| Minority interests | - | - | - | - | - | - | - | - | - | - | - | - | (2,380) | (1,954) |
| Loss attributable to equity holders | | | | | | | | | | | | | <u>(202,132)</u> | <u>(78,240)</u> |
| Impairment losses recognised in income statement | 40,000 | - | 78,248 | 2,528 | - | - | - | - | 16,727 | 7,092 | - | 11,361 | | |
| Depreciation and amortisation charge for the year | <u>208</u> | <u>2</u> | <u>6,227</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,886</u> | <u>1,412</u> | <u>2,372</u> | <u>-</u> | <u>-</u> | | |
| Segment assets | 37,567 | 74,621 | 187,967 | - | - | - | - | - | 89,477 | 58,760 | - | - | 315,011 | 133,381 |
| Interests in associates | - | - | - | 75,823 | - | - | - | - | 1,329 | 3,966 | - | - | 1,329 | 79,789 |
| Unallocated assets | - | - | - | - | - | - | - | - | - | - | - | - | 55,595 | 195,230 |
| Total assets | | | | | | | | | | | | | <u>371,935</u> | <u>408,400</u> |
| Segment liabilities | (63,678) | (70,608) | (8,597) | - | - | - | - | - | (49,252) | (47,808) | - | - | (121,527) | (118,416) |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | - | - | - | (36,022) | (24,902) |
| Total liabilities | | | | | | | | | | | | | <u>(157,549)</u> | <u>(143,318)</u> |
| Capital expenditure incurred during the year | <u>1,547</u> | <u>2</u> | <u>167,809</u> | <u>-</u> | <u>85</u> | <u>224</u> | <u>-</u> | <u>5,404</u> | <u>375</u> | <u>1,801</u> | <u>-</u> | <u>-</u> | <u>169,816</u> | <u>7,431</u> |

Note:

- i) Segment results, assets and liabilities are before elimination of intra-group transactions and balances, except to the extent that such intra-group transactions and balances are between group companies within the same segment.

(b) Secondary reporting format – geographical segments

The Group's principal markets are located in two main geographical areas:

The PRC – Software development and systems integration services
 – Automatic teller machines services

Hong Kong – Sale of integrated circuits and computer software

| | Continuing operations | | | | | | Discontinued operations | | | | Total | |
|--|-------------------------|---------------------------------------|-------------------------------|---|---------------------------|---|-------------------------|---------------------------------------|---------------------------|---|------------------|--------------------------------|
| | 2006 PRC HK\$'000 | 2005 PRC HK\$'000 (restated) | 2006 Hong Kong HK\$'000 | 2005 Hong Kong HK\$'000 (restated) | 2006 Total HK\$'000 | 2005 Total HK\$'000 (restated) | 2006 PRC HK\$'000 | 2005 PRC HK\$'000 (restated) | 2006 Total HK\$'000 | 2005 Total HK\$'000 (restated) | 2006 HK\$'000 | 2005 HK\$'000 (restated) |
| Revenue from external customers | <u>6,282</u> | <u>–</u> | <u>70,730</u> | <u>102,095</u> | <u>77,012</u> | <u>102,095</u> | <u>79,193</u> | <u>137,411</u> | <u>79,193</u> | <u>137,411</u> | <u>156,205</u> | <u>239,506</u> |
| Segmental assets | <u>185,855</u> | <u>224,574</u> | <u>95,274</u> | <u>121,100</u> | <u>281,129</u> | <u>345,674</u> | <u>90,806</u> | <u>62,726</u> | <u>90,806</u> | <u>62,726</u> | <u>371,935</u> | <u>408,400</u> |
| Capital expenditure incurred during the year | <u>167,809</u> | <u>59</u> | <u>1,632</u> | <u>60</u> | <u>169,441</u> | <u>119</u> | <u>375</u> | <u>7,312</u> | <u>375</u> | <u>7,312</u> | <u>169,816</u> | <u>7,431</u> |

12. TRADE AND OTHER RECEIVABLES

| | Note | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------|------------------|------------------|
| Accounts receivable | (a) | 9,988 | 70,760 |
| Retentions receivable from customers | | – | 1,888 |
| Gross amount due from customers for contract work | | – | 10,464 |
| Prepayments, deposits and other receivables | | <u>10,780</u> | <u>50,465</u> |
| | | <u>20,768</u> | <u>133,577</u> |

Note:

(a) Included in trade and other receivables are accounts receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Current | 7,147 | 24,385 |
| 1 to 3 months overdue | 2,841 | 43,415 |
| More than 3 months overdue but less than 12 months overdue | – | 1,647 |
| Overdue beyond 1 year | – | 1,313 |
| | <u>9,988</u> | <u>70,760</u> |

Credit terms granted by the Group to the customers generally range from 30 days to 150 days. Accounts receivable with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

Included in trade and other receivables are the following amounts denominated in foreign currencies:

| | 2006 '000 | 2005 '000 |
|-----------------------|--------------|--------------|
| Renminbi | 4,605 | 81,814 |
| United States dollars | <u>1,281</u> | <u>6,005</u> |

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(a) Disposal of the Chatex Group

In May 2005, the Group entered into an equity transfer agreement with an independent third party to dispose of Chatex Investment Limited and its subsidiaries (the “Chatex” Group), which carried out all of the Group’s manufacturing and selling activities of computer related products. The disposal was completed in July 2005 and was classified as discontinued operations in 2005.

(b) Plan to dispose of the systems integration services (the “SI operations”)

Pursuant to an agreement dated 19 January 2007 entered into between a subsidiary of the Company, Stepping Stones Limited (the “Vendor”) and an independent third party (the “Purchaser”), the Vendor disposed of 100% interest in three wholly-owned subsidiaries engaged in the provision of the SI operations, Start-tech (Fujian) Software and System Co., Limited (“Start-tech (Fujian)”), Fuzhou Start Medical System Co., Limited (“Fuzhou Start Medical Systems”) and Start-tech (Guangzhou) Medical Systems Co., Limited (“Start-tech (Guangzhou)”), collectively the SI Companies, together with the interests in other companies held by each of the SI Companies, to the Purchaser at a consideration of HK\$14,330,000. The assets and liabilities attributable to the SI companies, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated balance sheet. The SI operations are included in the Group’s software development and systems integration services activities for segment reporting purposes.

The major classes of assets and liabilities comprising the disposal group classified as held for sale at 31 December 2006 are as follows:

| | <i>HK\$’000</i> |
|--|-----------------|
| Assets | |
| Property, plant and equipment | 363 |
| Intangible assets | 140 |
| Interests in associates | 1,329 |
| Inventories | 3,646 |
| Accounts receivable | 37,870 |
| Gross amount due from customers for contract work | 9,389 |
| Prepayments, deposits and other receivables | 19,593 |
| Bank and cash balances | 18,476 |
| | <hr/> |
| Assets classified as held for sale | 90,806 |
| | <hr/> <hr/> |
| Liabilities | |
| Accounts payable | 13,648 |
| Gross amount due to customers for contract work | 2,163 |
| Other payables and accrued expenses | 32,965 |
| Loans and overdraft | 20,000 |
| Current tax liabilities | 155 |
| Deferred tax liabilities | 321 |
| | <hr/> |
| Liabilities classified as held for sale | 69,252 |
| | <hr/> <hr/> |
| Net assets of SI Companies classified as held for sale | 21,554 |
| | <hr/> <hr/> |

14. TRADE AND OTHER PAYABLES

| | <i>Note</i> | 2006 | 2005 |
|---|-------------|-----------------|-----------------|
| | | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Accounts payable | <i>(a)</i> | – | 25,988 |
| Bills payable | <i>(a)</i> | 4,191 | 6,845 |
| Gross amount due to customers for contract work | | – | 4,068 |
| Deposit received for disposal of SI Companies | | 13,000 | – |
| Receipts in advance | | – | 1,197 |
| Other payables and accrued expenses | | 12,481 | 30,624 |
| Amounts due to directors | | – | 5,684 |
| | | <hr/> | <hr/> |
| | | 29,672 | 74,406 |
| | | <hr/> <hr/> | <hr/> <hr/> |

All of the trade and other payables are expected to be settled within one year.

Note:

- (a) Included in trade and other payables are accounts payable and bills payable with the following ageing analysis as of the balance sheet date:

| | 2006 HK\$'000 | 2005 HK\$'000 |
|----------------------------------|--------------------------------|------------------|
| Due within 3 months or on demand | 4,191 | 31,444 |
| Overdue 3 months to 1 year | – | 491 |
| Overdue beyond 1 year | – | 898 |
| | 4,191 | 32,833 |

- (b) Included in trade and other payables are the following amounts denominated in foreign currencies:

| | 2006 '000 | 2005 '000 |
|-----------------------|----------------------------|--------------|
| Renminbi | 1,825 | 52,704 |
| United States dollars | 537 | 878 |

BUSINESS REVIEW

After the acquisition of the ATM ISO company, Loten, late in 2005, the Group spent the first quarter of 2006 integrating Loten into the Group whilst continuing to deploy ATMs throughout Mainland China. These ATMs were deployed in line with the various signed partnership and deployment contracts inherited during the acquisition. The Group also undertook the task of restructuring and realigning the business to focus on the ATM ISO business model. The Group not only employed a number of extremely experienced and knowledgeable staff but also contracted the services of an industry-leading consulting group to help with the business refocusing process. Throughout the year, the Group continued to create the ATM ISO business infrastructure required to enable the implementation of the business strategy and business plan.

In the fourth quarter of the year, the Group entered into negotiations with a number of parties to secure the capital investment that was required to fund the aggressive expansion of the ATM ISO business. In November 2006, the Group finalised an agreement with Customers Asia Limited (“Customers Asia”), a company registered in Hong Kong, to provide the required investment capital in two transactions - a subscription share agreement and a convertible loan agreement. The value of the investment was approximately HK\$117,000,000. Customers Asia is a joint venture company between Customers Limited Australia, the leading ATM ISO company in Australia, and FCP Brencorp, a Hong Kong and PRC registered equity investment company.

In December 2006, the Group took the opportunity to offer full-time employment to a number of extremely experienced ATM industry veterans (in Mainland China) who had been providing ATM ISO related consulting services to the Group on an exclusive basis. Customers Asia, as part of the investment agreements, appointed two leading industry experts as Executive Directors of the Group. Both these Executives are also Directors of Customers Asia and have owned and built extensive ATM ISO companies in Australia. One of the Executive Directors transferred from Australia to Hong Kong to take up a full time role in the Group, leading the Operations and Business Development areas of the Group.

The Group continued to deploy ATMs throughout the year with the owned, operated and supported ATM network growing to 340 devices. The Group also continued to grow its signed contract portfolio and at the end of 2006 had signed contracts with over 20 regional Banks to deploy over 6,000 ATMs in the next 3 years.

Software Development and Systems Integration Services

The sale of the business in the year under review was HK\$79,193,000, accounting for approximately 51% of the overall turnover of the Group. However, in order to better allocate its resources on the ATM business, in January 2007, the Group agreed to dispose of its SI companies at a total consideration of HK\$14,330,000.

SJTU Sunway

On 23 November 2006, the Group has also disposed its non-core businesses. FinTronics entered into an agreement to sell an aggregate of 64,355,828 sale shares at a total consideration of HK\$8,750,000 (equivalent to approximately HK\$0.1360 per Sale Share). The sale shares represented approximately 32.18% of the issued share capital of SJTU.

PROSPECTS

The financial self-service market in Mainland China continues to show signs of significant and robust growth. The number of ATMs in Mainland China grew from approximately 80,000 at the end of 2005 to 88,000 at the end of 2006. This equates to approximately 65 ATMs per one million people - well below the trends and figures in other regions in Asia and other countries around the world where this figure is well over 1,000 ATMs per million people.

Although the Group will continue to focus its activities to take early advantage of the emerging ATM ISO opportunities in Mainland China and to have 2,000 operating ATMs by the end of 2007, we will also be continually seeking to expand and extend the business by investing in or acquiring self-service and payments business that are directly related to the ATM ISO industry.

The Group will make use of its international industry knowledge and experience to continue to grow its ATM deployment signed contract portfolio in line with the stated objective of being the leading ATM and self-service provider in Mainland China. Growth of the owned and operated ATM network will be achieved by a combination of organic growth and growth through the acquisition of existing off-premise ATM networks and smaller ATM ISO companies.

In addition to growing the network of ATM devices, the Group will continue to work with its chosen partners to achieve additional ATM transaction revenue by providing value-added transactions on its network of ATM - value-added transactions such as utility bill payment, mobile phone top-ups, lottery ticket dispensing, advertising and the like.

Looking ahead, leveraging our local market knowledge and technology, together with international ATM operations expertise, we will firmly grasp the new opportunities arising and consolidate FinTronics' leading position in the dynamic and fast-growing ATM market in Mainland China.

MATERIAL INVESTMENTS AND DISPOSALS IN SUBSIDIARIES AND ASSOCIATES

On May 2006, the Group had completed its acquisition in two PRC incorporated companies which were engaged in the provision of ATM related services in China. In order to capitalise its resources in the core business, the Group entered into a sale and purchase agreement in January 2007 to dispose of its non-core business which was engaged in the provision of software development and system integration services.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group had cash and bank balances of HK\$128.3 million (2005: HK\$29.8 million) of which HK\$17.5 million (2005: HK\$17.5 million) were pledged to banks for facilities granted to the Group.

Loans and overdraft of the Group as at 31 December 2006 amounted to HK\$66.8 million (2005: HK\$64.3 million) of which HK\$65.7 million were repayable within one year. As at 31 December 2006, the total asset value of the Group was HK\$371.9 million (2005: HK\$408.4 million) whereas the total liabilities was HK\$157.5 million (2005: HK\$143.3 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 42.4% (2005: 35.1%).

Of the total borrowings as at 31 December 2006, about 46.3% was denominated in United States dollars, 29.9% were denominated in Renminbi and the remainder in HK dollars, and HK\$20 million was at fixed interest rates.

As at 31 December 2006, the Group had available aggregate banking facilities of HK\$87.0 million (2005: HK\$79.6 million) of which HK\$11.9 million (2005: HK\$6.0 million) has not been utilised.

Assets charged as security for banking facilities included bank deposits totalling HK\$17.5 million (2005: HK\$17.5 million), and investment properties of the Group valued at HK\$8.3 million (2005: HK\$8.3 million) as at 31 December 2006.

The Group maintain a net cash (being the total cash and bank balances net of total borrowings) to equity ratio of 28.7% (2005: net borrowings to equity ratio of 13.0%) as at 31 December 2006. With net cash of HK\$61.5 million (2005: net borrowings of HK\$34.5 million) as at 31 December 2006, the Group's liquidity position has improved significantly and the Directors of the Group believe that the Company has sufficient financial resources to satisfy its commitments and working capital requirements.

CONTINGENT LIABILITIES

As at 31 December 2006, certain buildings held for own use of the Group with an aggregate carrying value of HK\$5,599,000 (2005: HK\$5,642,000) were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK\$6,000,000 (2005: HK\$15,000,000) granted to a former related company. As at 31 December 2006, the amount of the facilities utilised was HK\$5,984,000 (2005: HK\$7,985,000).

As at 31 December 2006, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK\$5,148,000 (2005: HK\$5,148,000).

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2006, the Group had approximately 549 (2005: 497) employees of which approximately 202 (2005: 168) were technicians. Employees' costs (including directors' emoluments) amounted to approximately HK\$27.0 million (2005: HK\$25.4 million) for the year. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

The Directors believe that experienced staff, in particular its technicians, are the most valuable assets of the Group. Training programme is provided to technicians, especially new recruits, to ensure their technical proficiency.

The Company operates a share option scheme (the "Scheme") whereby the Board may at their absolute discretion, grant options to employees and Executive Directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme. During the year 64,060,000 share options were granted to directors, executives, employees and consultants to their contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("Code on CG Practices") throughout the year ended 31 December 2006. Details of the Code adopted by the Company is set out in the section of Corporate Governance Report.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Wong Po Yan, Mr. Mao Zhenhua and Mr. Chong Yiu Kan, Sherman. Mr. Chong Yiu Kan, Sherman is the Chairman of the audit committee. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the annual report for the year ended 31 December 2006 with the Directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in Appendix 10 of the Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's interim results and annual results that the Director cannot deal in the shares of the Company until after such results have been published.

By order of the board of directors of
FinTronics Holdings Company Limited
Sze Wai, Marco
Chairman

Hong Kong, 16 April 2007

As at the date of notice, the board of directors of the Company comprises Sze Wai, Marco, Chu Chi Shing, Robert Kenneth Gaunt, Robertus Martinus Andreas Broers, Song Jing Sheng and Tan Shu Jiang as executive Directors, Zee Zin Yee as non-executive Director and Wong Po Yan, Mao Zhenhua and Chong Yiu Kan, Sherman as independent non-executive Directors.

* *For identification purpose only*

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