

# 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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Directors of FinTronics Holdings Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 June 2007 as follows:

#### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Six months ended 30 June					
		2007			2006		
		Continued operations \$'000	Discontinued operations \$'000	Total \$'000	Continued operation \$'000	Discontinued operations \$'000	Total \$'000
<b>Turnover</b>	2	38,258	6,000	44,258	36,827	23,806	60,633
Cost of sales		(35,147)	(4,802)	(39,949)	(33,919)	(15,375)	(49,294)
<b>Gross profit</b>		<u>3,111</u>	<u>1,198</u>	<u>4,309</u>	<u>2,908</u>	<u>8,431</u>	<u>11,339</u>
Other revenue		4,942	147	5,089	590	1,085	1,675
Selling and distribution expenses		-	(1,621)	(1,621)	-	(3,266)	(3,266)
Administrative expenses		(25,491)	(2,960)	(28,451)	(23,127)	(5,450)	(28,577)
<b>(Loss)/profit from operations</b>	2	<u>(17,438)</u>	<u>(3,236)</u>	<u>(20,674)</u>	<u>(19,629)</u>	<u>800</u>	<u>(18,829)</u>
Loss on disposal of subsidiaries		(8,327)	-	(8,327)	-	-	-
Finance costs		(1,023)	(234)	(1,257)	(1,547)	(497)	(2,044)
Share of profits less losses of associates		-	-	-	(327)	-	(327)
<b>Loss before taxation</b>	3	<u>(26,788)</u>	<u>(3,470)</u>	<u>(30,258)</u>	<u>(21,503)</u>	<u>303</u>	<u>(21,200)</u>
Income tax (expense)/credit	4	-	-	-	-	(146)	(146)
<b>(Loss)/Profit after taxation</b>		<u>(26,788)</u>	<u>(3,470)</u>	<u>(30,258)</u>	<u>(21,503)</u>	<u>157</u>	<u>(21,346)</u>
<b>Attributable to:</b>							
Equity holders of the parent		(26,788)	(3,015)	(29,803)	(21,503)	(514)	(22,017)
Minority interests		-	(455)	(455)	-	671	671
<b>(Loss)/Profit after taxation</b>		<u>(26,788)</u>	<u>(3,470)</u>	<u>(30,258)</u>	<u>(21,503)</u>	<u>157</u>	<u>(21,346)</u>
<b>Loss per share</b>	6						
Basic (cents)		<u>(1.90)</u>	<u>(0.21)</u>	<u>(2.11)</u>	<u>(2.66)</u>	<u>(0.06)</u>	<u>(2.72)</u>
Diluted (cents)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

		At 30 June 2007 \$'000	At 31 December 2006 \$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment			
– Investment properties		8,350	8,350
– property, plant and equipment		49,900	49,825
– prepaid land lease payments		4,299	4,318
		<u>62,549</u>	<u>62,493</u>
Goodwill		45,629	45,629
Intangible assets		42,375	42,375
Pledged deposits		17,516	17,516
		<u>168,069</u>	<u>168,013</u>
<b>Current assets</b>			
Trade and other receivables	7	28,045	20,768
Bank and cash balances		283,895	92,348
		<u>311,940</u>	<u>113,116</u>
Assets classified as held for sale		–	90,806
		<u>311,940</u>	<u>203,922</u>
<b>Current liabilities</b>			
Trade and other payables	8	12,796	29,672
Loans and overdraft		25,906	45,736
Finance lease payables		561	496
Current tax liabilities		432	432
		<u>39,695</u>	<u>76,336</u>
Liabilities classified as held for sale		–	69,252
		<u>39,695</u>	<u>145,588</u>
<b>Net current assets</b>		<u>272,245</u>	<u>58,334</u>
<b>Total assets less current liabilities</b>		<u>440,314</u>	<u>226,347</u>
<b>Non current liabilities</b>			
Finance lease payables		322	630
Deferred tax liabilities		7,988	11,331
Convertible loan		62,400	–
		<u>70,710</u>	<u>11,961</u>
<b>NET ASSETS</b>		<u>369,604</u>	<u>214,386</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		170,783	136,778
Reserves		198,821	70,385
<b>Total equity attributable to equity holders of the company</b>		<u>369,604</u>	<u>207,163</u>
<b>Minority interests</b>		–	7,223
<b>TOTAL EQUITY</b>		<u>369,604</u>	<u>214,386</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Attributable to equity holders of the parent

	Share capital		General reserve	Buildings		Warrant reserve	Share options		Retained earnings	Total	Minority interests	Total equity
	\$'000	\$'000		reserve	revaluation reserve		reserve	reserve				
At 1 January 2006	52,864	217,055	6,008	6,710	68	1,735	-	(23,043)	261,397	3,685	265,082	
Exchange differences on translation of the financial statement of subsidiaries outside HK	-	-	105	-	-	-	-	-	105	-	105	
Issue of share capital	52,914	11	-	-	-	-	-	-	52,925	-	52,925	
Share based payment	-	-	-	-	-	-	1,760	-	1,760	-	1,760	
Loss for the period	-	-	-	-	-	-	-	(22,017)	(22,017)	671	(21,346)	
<b>At 30 June 2006</b>	<b>105,778</b>	<b>217,066</b>	<b>6,113</b>	<b>6,710</b>	<b>68</b>	<b>1,735</b>	<b>1,760</b>	<b>(45,060)</b>	<b>294,170</b>	<b>4,356</b>	<b>298,526</b>	
At 1 January 2007	136,778	268,970	6,462	13,339	68	2,662	4,513	(225,629)	207,163	7,223	214,386	
Exercise of share options	4,556	1,430	-	-	-	-	-	-	5,986	-	5,986	
Exercise of warrants	2,963	4,739	-	-	-	-	-	-	7,702	-	7,702	
Release of reserve to share premium	-	2,568	-	-	-	(425)	(2,143)	-	-	-	-	
Subscription of shares	26,486	141,180	-	-	-	-	-	-	167,666	-	167,666	
Disposal of subsidiaries	-	-	14,063	(2,794)	-	-	-	-	11,269	(7,223)	4,046	
Injection of share capital	-	-	-	(379)	-	-	-	-	(379)	-	(379)	
Loss for the period	-	-	-	-	-	-	-	(29,803)	(29,803)	-	(29,803)	
<b>At 30 June 2007</b>	<b>170,783</b>	<b>418,887</b>	<b>20,525</b>	<b>10,166</b>	<b>68</b>	<b>2,237</b>	<b>2,370</b>	<b>(255,432)</b>	<b>369,604</b>	<b>-</b>	<b>369,604</b>	

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2007

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorized for issuance on 24 September 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, 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.

This interim financial report contains condensed consolidated financial statements and 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 the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 2 SEGMENTAL INFORMATION

#### Business segments

The entity’s primary format for reporting segment information is business segments. Revenue from external customers represents the sales value of goods supplied to customers and income from the provision of software development and systems integration services and provision of automatic teller machines services.

	Continuing operations				Discontinued operation		Consolidated	
	Sale of integrated circuits and computer softwares		Provision of automatic teller machines services		Software development and system integration services		2007	2006
For the six months ended 30 June	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from external customers	35,443	34,200	2,815	2,627	6,000	23,806	44,258	60,633
Other revenue from external customers	204	422	298	–	147	1,056	649	1,478
Total	<u>35,647</u>	<u>34,622</u>	<u>3,113</u>	<u>2,627</u>	<u>6,147</u>	<u>24,862</u>	<u>44,907</u>	<u>62,111</u>
Segment result	302	(2,314)	(5,862)	551	(3,236)	850	(8,796)	(913)
Unallocated operating income and expenses							<u>(11,878)</u>	<u>(17,916)</u>
Loss from operations							<u>(20,674)</u>	<u>(18,829)</u>

### 3 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Interest on bank borrowings	985	1,801
Amortisation of land lease premium	2	2
Amortisation of intangible assets	0	380
Depreciation	3,683	6,277
Interest income	(1,072)	(294)
	<u>          </u>	<u>          </u>

### 4 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
<b>Current tax – PRC</b>		
Tax for the period	–	146
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	–	–
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	–	146

### 5 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: \$Nil).

### 6 LOSS PER SHARE

#### (a) Basic

The calculation of basic loss per share is based on the loss attributable to equity holders of the parent of HK\$29,803,000 for the six months ended 30 June 2007 (2006: HK\$22,017,000) and the weighted average number of ordinary shares of 1,407,578,000 (2006: 809,295,000) in issue during the period.

#### (b) Diluted

The amount of diluted loss per share is not presented as the effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2007 and 2006.

## 7 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors and bills receivable (net of impairment losses) with the following ageing analysis:

	At <b>30 June</b> <b>2007</b> <i>\$'000</i>	At 31 December 2006 <i>\$'000</i>
Current	<b>8,354</b>	7,147
1 to 3 months overdue	–	2,841
More than 3 months overdue but less than 12 months overdue	–	–
Overdue beyond 1 year	–	–
	<hr/>	<hr/>
Total debtors, net of impairment loss	<b>8,354</b>	9,988
Prepayments, deposits and other receivables	<b>19,691</b>	10,780
	<hr/>	<hr/>
	<b>28,045</b>	20,768
	<hr/> <hr/>	<hr/> <hr/>

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

## 8 TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors and bills payable with the following ageing analysis:

	At <b>30 June</b> <b>2007</b> <i>\$'000</i>	At 31 December 2006 <i>\$'000</i>
Due within 3 months or on demand	<b>673</b>	4,191
Overdue 3 months to 1 year	<b>206</b>	–
Overdue beyond 1 year	–	–
	<hr/>	<hr/>
Total creditors and bills payable	<b>879</b>	4,191
Deposit received for disposal of SI companies	–	13,000
Other payables and accrued liabilities	<b>11,917</b>	12,481
	<hr/>	<hr/>
	<b>12,796</b>	29,672
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## **BUSINESS REVIEW**

Combining the expertise of one of our largest shareholders – Customers Asia Limited (“Customers Asia”), and that of our subsidiary – Loten Technology Co., Ltd. (“Loten”), the leading ATM and related services provider in Mainland China, FinTronics reported smooth progress in the development of its ATM services operation.

During the period under review, FinTronics created the ATM ISO business infrastructure to facilitate implementation of related business strategy and plans. We brought in an industry expert of 30 years’ experience to be the head of our ATM operations in China and to help us achieve our regional sales and ATM deployment targets. We also filled four regional Vice President positions through recruitment and internal transfer. To better manage regional sales, we opened a new office in Shenzhen and another in Shanghai, and moved our Beijing office to a more convenient and cost effective location.

We continued to deploy ATMs in its self-operated network. Having deployed in all 400 devices, the Group now has approximately 10% share of market for Independent ATM Deployer (“IAD”) in China. During the period under review, FinTronics also signed cooperation agreements with the head office as well as regional and local offices of China Unionpay (“CUP”), and won four more contracts with other regional and national banks, securing in all orders for over 7,000 ATMs.

In February 2007, FinTronics agreed to dispose of its SI companies at a total consideration of HK\$14,330,000, so as to free resources for injecting into its ATM business. Therefore, this segment did not make significant contribution in the period under review.

## **PROSPECTS**

Looking ahead, market demand for ATM devices will remain strong with the authority requiring banks to shorten the waiting time for service by bank customers. The most effective way to achieve that is for banks to provide more self-service points with multi-functional ATMs. As such, the management is optimistic about the prospects of FinTronics and expects it to continue to win new ATM deployment contracts and speed up deployment rate.

With ATM business carrying strong growth potential having become our core business, we are confident of the Group’s ability to deliver improved performance in the second half of 2007.

With deployment contracts on hand, we believe we will be able to achieve the target of deploying 1,500 ATMs by the end of 2007. By then, FinTronics will have approximately 20% share of the IAD market. In addition to growing our ATM network, we will continue to work with our partners to boost transaction revenue by providing value-added transactions such as utility bill payment, mobile phone top-up, dispensing of lottery tickets and advertising, etc. on our ATMs.

We will make use of our international industry knowledge and experience to secure more ATM deployment contracts and extend the reach of our ATM network with the objective of becoming the leading ATM and self-service device provider in Mainland China. We are planning to expand our ATM network through organic growth as well as acquisition of existing off-premise ATM networks

and smaller ATM ISO companies. Backed by abundant financial resources, the Group is making good progress with its growth plans.

The Group has resolved to acquire 100% interest in Tianjin ATM Company in September. The principal business of Tianjin ATM Company is similar to that of the Group, which includes the procurement, deployment and operation of ATMs, the provision of maintenance and technical support services for ATMs, and the development of value-added services for ATMs in collaboration with commercial banks in the PRC. The acquisition will not only accelerate the Group's growth in the PRC market, but also offer better operational synergies and economies of scale.

Looking ahead, armed with strong local market knowledge and international ATM operation expertise and technology, we will firmly grasp new opportunities that can allow us to consolidate FinTronics' leadership in the dynamic and fast-growing ATM market in Mainland China.

FinTronics is committed to establishing a top-tier ATM service network and become one of the largest ATM network providers in the next few years. As always, our ultimate goal is to deliver substantial value to our shareholders.

#### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2007, the Group had cash and bank balances HK\$301.4 million (31 December 2006: HK\$109.9 million) of which HK\$17.5 million (31 December 2006: HK\$17.5 million) were pledged to banks for facilities granted to the Group. About 23% and 6% of these liquid funds were denominated in Renminbi and US dollars respectively and the remainder in HK dollars.

Bank loans and overdrafts of the Group as at 30 June 2007 amounted to HK\$25.9 million (31 December 2006: HK\$45.7 million) and were all repayable within one year. As at 30 June 2007, the total asset value of the Group was HK\$480.5 million (31 December 2006: HK\$371.9 million) whereas the total liabilities was HK\$110.9 million (31 December 2006: HK\$157.5 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 23.1% (31 December 2005: 42.4%).

Of the total borrowings as at 30 June 2007, all of them are denominated in US dollars, and none of them were at fixed interest rates.

As at 30 June 2007, the Group had available aggregate banking facilities of HK\$67.0 million (31 December 2006: HK\$87.0 million) of which HK\$41.1 million (31 December 2006: HK\$11.9 million) has not been utilised.

Assets charged as security for banking facilities included bank deposits totalling HK\$17.5 million (31 December 2006: HK\$17.5 million) and investment properties of the Group valued at HK\$8.3 million (31 December 2006: HK\$8.3 million) as at 30 June 2007.

The Group maintained a net cash (being the total cash and bank balances net of total bank borrowings) to equity ratio of 74.5% (31 December 2006: 28.7%) as at 30 June 2007. With net cash of HK\$275.5 million (31 December 2006: net cash of HK\$61.5 million) as at 30 June 2007, the Group's liquidity position is healthy and the directors of the Company ("Directors") believe that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

### **CONTINGENT LIABILITIES**

As at 30 June 2007, certain buildings held for own use of the Group with an aggregate carrying value of HK\$5,562,000 (31 December 2006: HK\$5,599,000) were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK\$6,000,000 (31 December 2006: HK\$6,000,000) granted to a subsidiary of a former related company. As at 30 June 2007, the amount of the facilities utilised was HK\$4,089,000.

As at 30 June 2007, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK\$5,148,000 (31 December 2006: HK\$3,588,000).

### **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 30 June 2007, the Group had approximately 67 (31 December 2006: 549) employees. Employees' costs (including directors' emoluments) amounted to HK\$9,674,000 (2006: HK\$14,207,000) for the period. 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 programs are provided to technicians, especially new recruits, to ensure their technical proficiency.

The Company operates a share option scheme (the "Scheme") whereby the board of Directors (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.

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

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise 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 period ended 30 June 2007.

## **MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules, as the Code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 June 2007.

## **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 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 interim report for the period ended 30 June 2007.

By order of the Board  
**Sze Wai, Marco**  
*Chairman*

Hong Kong, 24 September 2007

*As at the date hereof, 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.*