

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 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Continuing operations			
Turnover	3	60,505	77,012
Cost of sales		(50,493)	(70,109)
Gross profit		10,012	6,903
Other income	4	24,655	13,994
Administrative expenses		(61,191)	(61,311)
Other operating expenses		(3,529)	(145,675)
Loss from operations		(30,053)	(186,089)
Fair value gain on derivative component of convertible loan	14	11,921	–
Finance costs	5	(12,370)	(3,158)
Share of losses of associates		–	(1,117)
Loss before tax		(30,502)	(190,364)
Income tax credit	6	881	408
Loss for the year from continuing operations		(29,621)	(189,956)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	7	3,022	(9,796)
Loss for the year	8	(26,599)	(199,752)
Attributable to:			
Equity holders of the Company		(26,144)	(202,132)
Minority interests		(455)	2,380
		(26,599)	(199,752)
(Loss)/profit per share			
From continuing and discontinued operations:			
Basic	10(a)	(1.60) cents	(20.34) cents
Diluted	10(a)	N/A	N/A
From continuing operations:			
Basic	10(b)	(1.81) cents	(19.12) cents
Diluted	10(b)	N/A	N/A
From discontinued operations:			
Basic	10(c)	0.21 cents	(1.22) cents
Diluted	10(c)	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Fixed assets			
Investment properties		2,700	8,350
Property, plant and equipment		70,633	49,825
Prepaid land lease payments		2,158	4,318
		<u>75,491</u>	62,493
Goodwill		48,928	45,629
Intangible assets		40,614	42,375
Interests in associates		–	–
Pledged deposits		29,646	17,516
		<u>194,679</u>	168,013
Current assets			
Trade and other receivables	12	57,154	20,768
Bank and cash balances		229,534	92,348
		<u>286,688</u>	113,116
Assets classified as held for sale		–	90,806
		<u>286,688</u>	203,922
Current liabilities			
Trade and other payables	13	14,337	29,672
Bank loans and overdraft		–	45,736
Finance lease payables		536	496
Derivative component of convertible loan	14	19,966	–
Current tax liabilities		–	432
		<u>34,839</u>	76,336
Liabilities classified as held for sale		–	69,252
		<u>34,839</u>	145,588
Net current assets		<u>251,849</u>	58,334
Total assets less current liabilities		<u>446,528</u>	226,347
Non-current liabilities			
Convertible loan	14	41,539	–
Finance lease payables		93	630
Deferred tax liabilities		7,645	11,331
		<u>49,277</u>	11,961
Net assets		<u>397,251</u>	214,386
Capital and reserves			
Share capital		184,128	136,778
Reserves		213,123	70,385
Equity attributable to equity holders of the Company		397,251	207,163
Minority interests		–	7,223
Total equity		<u>397,251</u>	214,386

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“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, investment properties and derivatives which are carried at their fair values.

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 that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“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 already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER

The Group’s turnover is as follows:

	2007 <i>HK\$’000</i>	2006 <i>HK\$’000</i>
Provision of ATM services	9,540	6,282
Sale of integrated circuits and computer software	50,965	70,730
Software development and systems integration services	<u>6,000</u>	<u>79,193</u>
	<u>66,505</u>	<u>156,205</u>
Representing:		
Continuing operations	60,505	77,012
Discontinued operations (<i>note 7</i>)	<u>6,000</u>	<u>79,193</u>
	<u>66,505</u>	<u>156,205</u>

4. OTHER INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Fair value gain on investment properties	350	–
Gain on deregistration of subsidiaries	9,080	–
Gain on disposal of an associate	–	2,390
Gain on disposal of investment properties	1,250	–
Gain on disposal of property, plant and equipment and prepaid land leases	2,206	86
Government grants	50	1,690
Interest income	4,945	679
Net exchange gains	5,478	–
Rental income from investment properties	374	362
Value added tax refund	–	318
Wavier of amount due to an associate	–	9,347
Wavier of other payables	961	–
Others	108	2,835
	<u>24,802</u>	<u>17,707</u>

Representing:

Continuing operations	24,655	13,994
Discontinued operations (<i>note 7</i>)	147	3,713
	<u>24,802</u>	<u>17,707</u>

5. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Finance lease charges	69	49
Interest on bank loans and overdraft	1,509	4,401
Interest on convertible loan (<i>note 14</i>)	11,026	–
	<u>12,604</u>	<u>4,450</u>

Representing:

Continuing operations	12,370	3,158
Discontinued operations (<i>note 7</i>)	234	1,292
	<u>12,604</u>	<u>4,450</u>

6. INCOME TAX CREDIT/(EXPENSE)

	Continuing operations		Discontinued operations		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – PRC Income tax						
Provision for the year	-	-	-	(584)	-	(584)
Underprovision in prior years	-	-	-	(148)	-	(148)
	-	-	-	(732)	-	(732)
Deferred tax						
Origination and reversal of temporary differences	881	408	-	-	881	408
	881	408	-	(732)	881	(324)

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2007 (2006: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year.

For the year ended 31 December 2007, the tax rate applicable to disposed subsidiaries established and operating in the PRC is 33% (2006: 33%). No provision for PRC enterprise income tax has been made as these disposed subsidiaries did not generate any assessable profits arising in the PRC during the period up to the date of disposal (2006: HK\$732,000). The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which included the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law will be effective from 1 January 2008. The impact of the new tax law on the Group's consolidated financial statements is immaterial.

7. DISCONTINUED OPERATIONS

Disposal of the systems integration services (the "SI operations")

In January 2007, the Group entered into an equity transfer agreement with an independent third party to dispose of SI operations, Star-tech (Fujian) Software and System Company Limited, Fuzhou Start Medical System Company Limited and Start-tech (Guangzhou) Medical Systems Company Limited, collectively the SI Companies, at a consideration of HK\$14,330,000. The disposal of SI operations was consistent with the Group's long-term policy to focus its activities on the ATM business. The disposal was completed in February 2007 and the Group discontinued its SI operations.

The gain/(loss) for the year from the discontinued operations is analysed as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss of discontinued operations	(2,809)	(8,638)
Gain on disposal of subsidiaries/(loss) on partial disposal of a subsidiary interest to a minority shareholder	<u>5,831</u>	<u>(1,158)</u>
	<u>3,022</u>	<u>(9,796)</u>

The results of the SI operations for the period from 1 January 2007 to 28 February 2007 which have been included in the consolidated income statement, are as follows:

	Period from 1/1/2007 to 28/2/2007 <i>HK\$'000</i>	Year ended 31/12/2006 <i>HK\$'000</i>
Turnover	6,000	79,193
Cost of sales	<u>(4,802)</u>	<u>(54,608)</u>
Gross profit	1,198	24,585
Other income	147	3,713
Gain on disposal of subsidiaries/(loss) on partial disposal of a subsidiary interest to a minority shareholder	5,831	(1,158)
Selling and distribution expenses	(1,621)	(5,514)
Administrative expenses	(2,253)	(12,447)
Finance costs	(234)	(1,292)
Other operating expenses	(46)	(2,347)
Share of losses of an associate	-	(184)
Impairment losses on non-current assets held for sale	<u>-</u>	<u>(14,420)</u>
Profit/(loss) before tax	3,022	(9,064)
Income tax expense	<u>-</u>	<u>(732)</u>
Profit/(loss) for the period/year	<u>3,022</u>	<u>(9,796)</u>

8. LOSS FOR THE YEAR

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Amortisation of intangible assets (included in administrative expenses)	4,825	2,915
Auditor's remuneration	1,683	1,562
Cost of inventories sold	55,295	124,717
Depreciation	8,514	7,213
Exchange (gains)/losses, net	(5,478)	372
Fair value gain on investment properties	(350)	–
Gain on deregistration of subsidiaries	(9,080)	–
Gain on disposal of investment properties	(1,250)	–
Gain on disposal of property, plant and equipment and prepaid land leases	(2,206)	(86)
(Gain) on disposal of subsidiaries/loss on partial disposal of a subsidiary interest to a minority shareholder	(5,831)	1,158
Impairment losses on goodwill (included in other operating expenses)	–	77,000
Impairment losses on non-current assets held for sale	–	14,420
Impairment losses on prepayments for investments (included in other operating expenses)	500	32,500
Impairment losses on trade receivables (included in other operating expenses)	1,648	29,248
Operating lease charges in respect of land and buildings and ATM deployment	4,336	4,030
Rental income from investment properties less direct outgoings of HK\$14,000 (2006: HK\$14,000)	(360)	(348)
Staff costs including directors' emoluments		
Contributions to defined contribution schemes	797	1,365
Salaries, wages and other benefits	21,801	22,064
Equity settled share-based payments	278	3,253
	22,876	26,682
Written off of other receivables	1,000	9,234

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2007 and 2006.

10. (LOSS)/PROFIT PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss (2006: 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\$26,144,000 (2006: HK\$202,132,000) and the weighted average number of ordinary shares of 1,633,388,000 (2006: 993,623,000) in issue during the year.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2007 and 2006.

(b) From continuing operations

Basic loss per share

The calculation of basic loss (2006: 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\$29,621,000 (2006: HK\$189,956,000) and the denominator used is 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 2007 and 2006.

(c) From discontinued operations

Basic profit/(loss) per share

Basic profit (2006: loss) per share from the discontinued operations attributable to equity holders of the Company is based on the profit/(loss) for the year from discontinued operations attributable to the equity holders of the Company of approximately HK\$3,477,000 (2006: HK\$12,176,000) and the denominator used is 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 2007 and 2006.

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			
	Sale of integrated circuits and computer software		Automatic teller machines services		Unallocated		Software development & systems integration services		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	50,965	70,730	9,540	6,282	-	-	6,000	79,193	66,505	156,205
Other income from external customers	-	58	-	-	-	165	147	3,387	147	3,610
	<u>50,965</u>	<u>70,788</u>	<u>9,540</u>	<u>6,282</u>	<u>-</u>	<u>165</u>	<u>6,147</u>	<u>82,580</u>	<u>66,652</u>	<u>159,815</u>
Segment results	(817)	(29,804)	(17,406)	(87,688)	-	-	(2,971)	(5,655)	(21,194)	(123,147)
Unallocated operating income and expenses	-	-	-	-	-	-	-	-	6,318	(70,530)
Loss from operations	-	-	-	-	-	-	-	-	(14,876)	(193,677)
Finance costs	-	-	-	-	-	-	-	-	(12,604)	(4,450)
Share of losses of associates	-	-	-	(1,117)	-	-	-	(184)	-	(1,301)
Income tax credit/(expense)	-	-	-	-	-	-	-	-	881	(324)
Minority interests	-	-	-	-	-	-	-	-	455	(2,380)
Loss attributable to equity holders									<u>(26,144)</u>	<u>(202,132)</u>
Impairment losses recognised in income statement	-	40,000	1,648	78,248	-	-	-	16,727		
Depreciation and amortisation charge for the year	<u>311</u>	<u>208</u>	<u>12,364</u>	<u>6,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,412</u>		
Segment assets	26,660	37,567	225,898	187,967	-	-	-	89,477	252,558	315,011
Interests in associates	-	-	-	-	-	-	-	1,329	-	1,329
Unallocated assets	-	-	-	-	-	-	-	-	228,809	55,595
Total assets									<u>481,367</u>	<u>371,935</u>
Segment liabilities	(4,247)	(43,678)	(12,028)	(8,597)	-	-	-	(69,252)	(16,275)	(121,527)
Unallocated liabilities	-	-	-	-	-	-	-	-	(67,841)	(36,022)
Total liabilities									<u>(84,116)</u>	<u>(157,549)</u>
Capital expenditure incurred during the year	<u>-</u>	<u>1,547</u>	<u>25,359</u>	<u>167,809</u>	<u>564</u>	<u>85</u>	<u>-</u>	<u>375</u>	<u>25,923</u>	<u>169,816</u>

(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	
	2007 PRC HK\$'000	2006 PRC HK\$'000	2007 Hong Kong HK\$'000	2006 Hong Kong HK\$'000	2007 Total HK\$'000	2006 Total HK\$'000	2007 PRC HK\$'000	2006 PRC HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue from external customers	<u>9,540</u>	<u>6,282</u>	<u>50,965</u>	<u>70,730</u>	<u>60,505</u>	<u>77,012</u>	<u>6,000</u>	<u>79,193</u>	<u>66,505</u>	<u>156,205</u>
Segment assets	<u>230,642</u>	<u>185,855</u>	<u>250,725</u>	<u>95,274</u>	<u>481,367</u>	<u>281,129</u>	<u>-</u>	<u>90,806</u>	<u>481,367</u>	<u>371,935</u>
Capital expenditure incurred during the year	<u>25,359</u>	<u>167,809</u>	<u>564</u>	<u>1,632</u>	<u>25,923</u>	<u>169,441</u>	<u>-</u>	<u>375</u>	<u>25,923</u>	<u>169,816</u>

12. TRADE AND OTHER RECEIVABLES

	Note	2007 HK\$'000	2006 HK\$'000
Accounts receivable	(a)	<u>5,961</u>	9,988
Prepayments, deposits and other receivables		<u>51,193</u>	<u>10,780</u>
		<u><u>57,154</u></u>	<u><u>20,768</u></u>

Note:

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

	2007 HK\$'000	2006 HK\$'000
Current	<u>4,147</u>	7,147
1 to 3 months overdue	<u>1,814</u>	<u>2,841</u>
	<u><u>5,961</u></u>	<u><u>9,988</u></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:

	2007 '000	2006 '000
Renminbi	196	4,605
United States dollars	649	1,281

(b) The movements in the allowance for impairment losses of trade receivables are as follows:

	2007 HK\$'000	2006 HK\$'000
At 1 January	34,755	5,507
Impairment loss recognised	1,648	29,248
Exchange adjustments	90	—
At 31 December	36,493	34,755

The allowance for impairment losses was made for the impaired trade receivables which were mainly related to past due payments from customers, and the management considered that these trade receivables are irrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As of 31 December 2007, trade receivables of approximately HK\$1,814,000 (2006: HK\$2,841,000) were past due but not impaired. This was related to an independent customer with no recent history of default. The ageing analysis of the trade receivables is as follows:

	2007 HK\$'000	2006 HK\$'000
Up to 3 months	1,814	2,841

13. TRADE AND OTHER PAYABLES

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Accounts payable	(a)	611	–
Bills payable	(a)	5,556	4,191
Deposit received for disposal of SI Companies		–	13,000
Other payables and accrued expenses		7,712	12,481
Amount due to a director		458	–
		<u>14,337</u>	<u>29,672</u>

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:

	2007 HK\$'000	2006 HK\$'000
Due within 3 months or on demand	5,714	4,191
Overdue 3 months to 1 year	453	–
	<u>6,167</u>	<u>4,191</u>

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

	2007 '000	2006 '000
Renminbi	1,129	1,825
United States dollars	413	537
	<u>413</u>	<u>537</u>

14. CONVERTIBLE LOAN

On 14 November 2006 the Company entered into a Subscription Agreement and a Loan Agreement with a shareholder of the Company for the issue of a three-year 8% coupon convertible loan with a nominal value of HK\$62,400,000. The convertible loan is convertible at the option of the holder into fully paid ordinary shares with a par value of HK\$0.1 each of the Company on or after 5 February 2007 up to and including 4 February 2010 at an initial conversion price of HK\$0.26 per share.

The fair value of the derivative component was estimated at the issuance date using an option pricing model and the change in fair value of that component at year-end date was recognised in the income statement. The residual amount is assigned as the liability component.

	2007 <i>HK\$'000</i>
Nominal value of convertible loan notes issued	62,400
Derivative component	<u>(31,887)</u>
Liability component at date of issue	30,513
Interest charged (<i>note 5</i>)	<u>11,026</u>
Liability component at 31 December 2007	<u><u>41,539</u></u>
Derivative component at date of issue	31,887
Fair value gain for the year	<u>(11,921)</u>
Derivative component at 31 December 2007	<u><u>19,966</u></u>

The interest charged for the year is calculated by applying an effective interest rate of 40 per cent to the liability component for the eleven-month period since the loan was issued.

The directors estimate the fair value of the liability component of the convertible loan at 31 December 2007 to be approximately HK\$67,888,000. This fair value has been calculated by discounting the future cash flows at the market rate.

BUSINESS REVIEW

During the year under review, Fintronics deployed and operated around 500 ATMs in major cities with considerable demand for e-payment service such as Beijing, Liaoning, Shandong, Tianjin, Shanghai and Guangdong, etc., accounting for approximately 5% of the ATM operation market in China.

During the year, Fintronics also entered into cooperation agreements with the head office and regional and local offices of China Unionpay and won two new customers, namely Shenzhen Development Bank and China UMS. As at 31 December 2007, the Group has secured contracts for the deployment of a total of 7,000 ATMs (2006: 6,000 ATMs). The timing and exact location of the ATMs to be deployed are subject to future agreements with local branches of our customers.

Led by an experienced management team, the Group delivered optimum performance in implementation rate, selection of ATM locations, supporting system provision and maintenance, etc., thereby increased its overall operational efficiency. Backed by partner banks and China Unionpay, the Group has begun services such as collection, payment or withdrawal by foreign bank cards on most ATMs, which is welcomed by commercial banks.

In February 2007, FinTronics agreed to dispose of its SI companies for a total consideration of HK\$14,330,000 to free resources for development ATM business. Therefore, this segment ceased to bring any substantial contribution to the Group during the period under review.

PROSPECTS

The prosperous Chinese economy has enabled the self-service financial device industry to gather growth momentum, pushing the total number of ATMs from around 88,000 units in late 2006 to 123,000 units in late 2007. Holding a critical position in ATM operation business, independent ATM suppliers' offer of ATM deployment outsourcing service is gaining recognition among commercial banks in the country.

With persistently strong market demand for ATMs, we expect the regulatory environment of financial self-service device market to continue to improve. Regarding the policy of money replenishment, highly flexibility will be given to independent companies, which will help promote related development. Independent clearing companies are also expected to give full play of their parts in the ATM operation business. However, intensifying competition will bring out an industry consolidation and lead to smaller and inefficient operators being ousted from the market. As the ATM operation market continues to mature, ATM deployment and operation will become more cost-effective by the year.

Capitalizing on the Group's first mover advantage in the independent ATM service industry, the management will strive to secure more new ATM deployment contracts and speed up deployment. Based on the deployment contracts on hand, we will be able to attain the objective of deploying around 1,000 ATMs in 2008, and accelerate expansion of our ATM business in Southern and Eastern China where such machines are widely used.

In addition to growing its ATM network, the Group will continue to work with its partners to explore generating revenue from value-added transaction services such as utility bill payment, mobile phone top-up, dispensing of lottery tickets and advertising, etc. on its ATMs.

Using its abundant financial resources, the Group will continue to seek better development opportunities for achieving sustainable growth of its ATM business. We will implement our business development strategies carefully with reference to market conditions. As always, our ultimate goal is to deliver substantial value to shareholders.

MATERIAL DISPOSALS IN SUBSIDIARIES AND ASSOCIATES

In February 2007, FinTronics disposed its SI Companies at a total consideration of HK\$14,330,000 in order to capitalise its resources in its ATM business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had cash and bank balances of HK\$259.2 million (2006: HK\$128.3 million) of which HK\$29.6 million (2006: HK\$17.5 million) were pledged to banks for facilities granted to the Group.

The Group had loans and overdraft amounting HK\$62.1 million (2006: HK\$66.8 million) as at 31 December 2007. As at 31 December 2007, the total asset value of the Group was HK\$481.4 million (2006: HK\$371.9 million) whereas the total liabilities was HK\$84.1 million (2006: HK\$157.5 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 17.5% (2006: 42.4%).

As at 31 December 2007, the Group had available aggregate banking facilities of HK\$67 million (2006: HK\$87 million) of which HK\$62.1 million (2006: HK\$11.9 million) has not been utilised.

Assets charged as security for banking facilities included bank deposits totalling HK\$29.6 million (2006: HK\$17.5 million), and investment properties of the Group valued at HK\$2.7 million (2006: HK\$8.4 million) as at 31 December 2007.

The Group maintained a net cash (being the total cash and bank balances net of total borrowings) to equity ratio of 51.8% (2006: net cash to equity ratio of 28.7%) as at 31 December 2007. With net cash of HK\$197.1 million (2006: net cash of HK\$61.5 million) as at 31 December 2007, 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 2007, land and buildings held for own use of the Group with an aggregate carrying value of HK\$2,876,000 (2006: HK\$5,599,000) were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK\$5,000,000 (2006: HK\$6,000,000) granted to a former related company. As at 31 December 2007, the amount of the facilities utilised was HK\$2,533,000 (2006: HK\$5,984,000). All the properties pledged and corporate guarantee have been released at 15 February 2008.

As at 31 December 2007, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK\$1,638,000 (2006: 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 2007, the Group had approximately 112 (2006: 549) employees of which approximately 28 (2006: 202) were technicians and engineers. Employees' costs (including directors' emoluments) amounted to approximately HK\$22.9 million (2006: HK\$26.7 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 2,400,000 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 2007, 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 2007. 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 2007 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 2008

As at the date of notice, the board of directors of the Company comprises Sze Wai, Marco, Chu Chi Shing, Robert Kenneth Gaunt, Tan Shu Jiang and Song Jing Sheng 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*