

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 2008

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 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June					
		2008		Total (Unaudited) \$'000	2007		Total (Unaudited) \$'000
		Continued operations (Unaudited) \$'000	Discontinued operations (Unaudited) \$'000		Continued operations (Unaudited) \$'000	Discontinued operations (Unaudited) \$'000	
Turnover	2	6,778	–	6,778	38,258	6,000	44,258
Cost of sales		(1,397)	–	(1,397)	(35,147)	(4,802)	(39,949)
Gross profit		5,381	–	5,381	3,111	1,198	4,309
Other revenue		9,015	–	9,015	4,942	147	5,089
Selling and distribution expenses		–	–	–	–	(1,621)	(1,621)
Administrative expenses		(31,348)	–	(31,348)	(25,491)	(2,459)	(27,950)
Other operating expenses		(1,822)	–	(1,822)	–	(501)	(501)
Loss from operations		(18,774)	–	(18,774)	(17,438)	(3,236)	(20,674)
Loss on disposal of subsidiaries		–	–	–	(8,327)	–	(8,327)
Finance costs		(892)	–	(892)	(1,023)	(234)	(1,257)
Loss before tax		(19,666)	–	(19,666)	(26,788)	(3,470)	(30,258)
Income tax credit	3	424	–	424	–	–	–
Loss for the period	4	(19,242)	–	(19,242)	(26,788)	(3,470)	(30,258)
Attributable to:							
Equity holders of the Company		(19,242)	–	(19,242)	(26,788)	(3,015)	(29,803)
Minority interests		–	–	–	–	(455)	(455)
		(19,242)	–	(19,242)	(26,788)	(3,470)	(30,258)
Loss per share	6						
Basic (cents)		(1.05)	–	(1.05)	(1.90)	(0.21)	(2.11)
Diluted (cents)		N/A	–	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

(Expressed in Hong Kong dollars)

		At 30 June 2008 (Unaudited) \$'000	At 31 December 2007 (Audited) \$'000
Non-current assets			
Fixed assets			
– Investment properties		–	2,700
– Property, plant and equipment		74,568	70,633
– Prepaid land lease payments		4,328	2,158
		<u>78,896</u>	75,491
Goodwill		52,082	48,928
Intangible assets		40,665	40,614
Available-for-sale investments	7	1,881	–
Pledged deposits		5,000	29,646
		<u>178,524</u>	<u>194,679</u>
Current assets			
Trade and other receivables	8	22,055	57,154
Bank and cash balances		259,119	229,534
		<u>281,174</u>	<u>286,688</u>
Current liabilities			
Trade and other payables	9	6,593	14,337
Finance lease payables		367	536
Derivative component of convertible loan		19,966	19,966
		<u>26,926</u>	<u>34,839</u>
Net current assets		<u>254,248</u>	<u>251,849</u>
Total assets less current liabilities		<u>432,772</u>	<u>446,528</u>
Non-current liabilities			
Convertible loan		36,547	41,539
Finance lease payables		–	93
Deferred tax liabilities		7,677	7,645
		<u>44,224</u>	<u>49,277</u>
NET ASSETS		<u>388,548</u>	<u>397,251</u>
Capital and reserves			
Share capital		184,128	184,128
Reserves		204,420	213,123
TOTAL EQUITY		<u>388,548</u>	<u>397,251</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2008

(Expressed in Hong Kong dollars)

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital	Share premium	General reserve	Translation reserve	Buildings revaluation reserve	Investments revaluation	Warrants reserve	Share option reserve	Accumulated losses	Total	Minority interests	Total equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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)
At 30 June 2007	<u>170,783</u>	<u>418,887</u>	<u>20,525</u>	<u>10,166</u>	<u>68</u>	<u>-</u>	<u>2,237</u>	<u>2,370</u>	<u>(255,432)</u>	<u>369,604</u>	<u>-</u>	<u>369,604</u>
At 1 January 2008	184,128	440,649	-	15,152	68	-	592	1,973	(245,311)	397,251	-	397,251
Surplus on revaluation of property	-	-	-	-	142	-	-	-	-	142	-	142
Gain on fair value changes of available-for-sale investments	-	-	-	-	-	12	-	-	-	12	-	12
Exchange difference or translation of financial statements of subsidiaries outside Hong Kong	-	-	-	10,385	-	-	-	-	-	10,385	-	10,385
Loss for the period	-	-	-	-	-	-	-	-	(19,242)	(19,242)	-	(19,242)
At 30 June 2008	<u>184,128</u>	<u>440,649</u>	<u>-</u>	<u>25,537</u>	<u>210</u>	<u>12</u>	<u>592</u>	<u>1,973</u>	<u>(264,553)</u>	<u>388,548</u>	<u>-</u>	<u>388,548</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited consolidated interim financial statements have been prepared on the historical cost basis except for properties and derivatives, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies adopted in the unaudited consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

The HKICPA has issued the following new interpretations which are effective for accounting periods beginning on or after 1 January 2008.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

As the Group currently has no such arrangements and defined benefit scheme, these interpretations have had no financial impact on the Group.

The Group has not early applied any new standards, amendments or interpretations that have been issued, but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results or the financial position of the Group.

2 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.

For the six months ended 30 June	Continuing operations				Discontinued operations		Consolidated	
	Sale of integrated circuits and computer software		Automatic teller machines services		Software development and system integration services		2008	2007
	2008	2007	2008	2007	2008	2007	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	1,410	35,443	5,368	2,815	-	6,000	6,778	44,258
Other revenue from external customers	-	204	-	298	-	147	-	649
Total	1,410	35,647	5,368	3,113	-	6,147	6,778	44,907
Segment results	5,893	302	(11,271)	(5,862)	-	(3,236)	(5,378)	(8,796)
Unallocated operating income and expenses							(13,396)	(11,878)
Loss from operations							(18,774)	(20,674)
Loss on disposal of subsidiaries							-	(8,327)
Finance costs							(892)	(1,257)
Income tax credit							424	-
Minority interests							-	455
Loss attributable to equity holders							(19,242)	(29,803)

(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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	PRC	PRC	Hong Kong	Hong Kong	Total	Total	PRC	PRC	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	5,368	2,815	1,410	35,443	6,778	38,258	-	6,000	-	44,258
Other revenue from external customers	-	298	-	204	-	502	-	147	-	649
Total	<u>5,368</u>	<u>3,113</u>	<u>1,410</u>	<u>35,647</u>	<u>6,778</u>	<u>38,760</u>	<u>-</u>	<u>6,147</u>	<u>-</u>	<u>44,907</u>

3 INCOME TAX CREDIT

	Six months ended	
	2008	2007
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax – PRC		
Tax for the period	-	-
Deferred taxation		
Origination and reversal of temporary differences	<u>424</u>	-
	<u>424</u>	-

4 LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2008 (Unaudited) \$'000	2007 (Unaudited) \$'000
Amortisation of land lease premium	29	2
Amortisation of intangible assets	2,568	–
Depreciation	5,776	3,683
Interest income	(1,309)	(1,072)
Interest on bank borrowings	892	985
	<u>892</u>	<u>985</u>

5 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: \$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 Company of HK\$19,242,000 for the six months ended 30 June 2008 (2007: HK\$29,803,000) and the weighted average number of ordinary shares of 1,841,285,000 (2007: 1,407,578,000) 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 2008 and 2007.

7 AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2008 (Unaudited) \$'000	At 31 December 2007 (Audited) \$'000
Listed investments:		
– Equity securities listed in Hong Kong	250	–
– Equity securities listed in the PRC	1,631	–
	<u>1,881</u>	<u>–</u>

8 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 30 June 2008 (Unaudited) \$'000	At 31 December 2007 (Audited) \$'000
Current	930	4,147
1 to 3 months overdue	<u>5,782</u>	<u>1,814</u>
Total debtors, net of impairment loss	6,712	5,961
Prepayments, deposits and other receivables	<u>15,343</u>	<u>51,193</u>
	<u>22,055</u>	<u>57,154</u>

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.

9 TRADE AND OTHER PAYABLES

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

	At 30 June 2008 (Unaudited) \$'000	At 31 December 2007 (Audited) \$'000
Due within 3 months or on demand	3	5,714
Overdue 3 months to 1 year	<u>87</u>	<u>453</u>
Total creditors and bills payable	90	6,167
Other payables and accrued liabilities	6,497	7,712
Amount due to a director	<u>6</u>	<u>458</u>
	<u>6,593</u>	<u>14,337</u>

BUSINESS REVIEW

In the hope of ensuring security and stability of financial service operations during the 2008 Beijing Olympics period, Chinese financial regulatory bodies tightened restrictions on service providers to launch new services especially in venue cities such as Beijing, Shanghai, Tianjin, Shenyang and Qingdao. Partner banks of the Group also shifted their strategic focus and resources on to business optimization and integration and slowed down development of self-help financial service channels and ATM network expansion. As most of the important and core customers of the Group are located in the Olympic venue cities and vicinity areas, ATM deployment plans of the Group were inevitably affected.

The Group has been developing ATM business in core cities such as Beijing, Shanghai and Shenzhen, and more prosperous regions including Shandong, Jiangsu and Liaoning, with the aim of achieving fast business growth at minimum market risks, hence ensure satisfactory operating benefits. In the first half of 2008, the Group placed strategic focus on strengthening cooperation with existing clients, steadily expanding the scale of existing deployment projects and the partnership projects. In addition, the Group has maintained close liaison and communication with potential clients to prepare for forging formal business partnerships when the time is ripe.

During the first half year, with the mainland economy advancing steadily and the Chinese people earning and spending more, ATM applications have become increasingly popular. Led by an experienced management team, the Group boasts optimum performance in areas such as project implementation rate management, selection of ATM locations, provision of support system, optimization of ATM deployment locations and repair and maintenance capabilities, etc. The Group also emphasizes innovation in developing the operation model of its ATM business and has reached a consensus with a number of partner banks and China Unionpay on development of ATM value-added services. It is expected that more high value-added services will be introduced in the future to increase the competitiveness of the Group, enabling the Group to stand out from the industry.

During the review period, the fierce competition in the software development and system integration market posed persistent pressure on the gross profit rate of the segment. Thus, the Group will flexibly allocate resources to cater to orders that can generate high added value and more profit.

PROSPECTS

Although the global economy is depressed, the Chinese economic growth and the rise of income and consumption demands of the Chinese people shall remain steady; these are going to fuel the reform of the financial sector as well as the development of financial services. Hence, the management expects financial institutions in China to expand ATM deployment and by drawing lessons from their international peers, continue to push forward with construction of their self-help financial networks. At the same time, more diverse ATM service features will be introduced to meet the diverse needs of cardholders, which will facilitate development of the ATM business sector.

In the second half year, the Group will focus on enhancing operational efficiency and sales returns by adjusting and consolidating existing projects. It will, at the same time, keep a close watch and follow up on ATM business opportunities in areas with growth potential and expand deployment scale with cost effectiveness in mind. With operations deployed in the past year maturing and moving into steady development and consolidation and adjustment efforts made during the first half of the year beginning to bear fruits, the Group expects its overall operating performance to improve significantly in the second half of the year. In addition, after the Olympic Games (the Olympics and Paralympics) are over by the end of September and banks begin to review and summarize their businesses and operational plans for the year in October, it is anticipated that ATM deployment programs temporarily shelved will be resumed in the coming year. This is expected to present better business development opportunities to the Group in 2009. But the global economy status in the coming year is expected to impact the Chinese economic growth to a certain extent, and hence will bring the Group's business some uncertainties.

The Group will consolidate its business and, in the meantime, armed with abundant financial resources, continue to actively and with prudence look for better development opportunities or introduce new businesses to strengthen its revenue and profit foundation. As always, the ultimate goal of the Group is to deliver substantial value to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group had cash and bank balances HK\$264.1 million (31 December 2007: HK\$259.2 million) of which HK\$5 million (31 December 2007: HK\$29.6 million) were pledged to banks for facilities granted to the Group.

The Group had loans as at 30 June 2008 amounting to HK\$56.9 million (31 December 2007: HK\$62.1 million). As at 30 June 2008, the total asset value of the Group was HK\$459.7 million (31 December 2007: HK\$481.4 million) whereas the total liabilities was HK\$71.2 million (31 December 2007: HK\$84.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 15.5% (31 December 2007: 17.5%).

As at 30 June 2008, the Group had available aggregate banking facilities of HK\$5 million (31 December 2007: HK\$67.0 million). No facilities has been utilised (31 December 2007: HK\$62.1 million).

Bank deposits totalling HK\$5 million (31 December 2007: HK\$29.6 million) had been charged as security for banking facilities. No properties of the Group are charged (31 December 2007: HK\$2.7 million) as at 30 June 2008.

The Group maintained a net cash (being the total cash and bank balances net of total bank borrowings) to equity ratio of 53.3% (31 December 2007: 51.8%) as at 30 June 2008. With net cash of HK\$207.2 million (31 December 2007: net cash of HK\$197.1 million) as at 30 June 2008, 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 AND CONTINGENT ASSETS

Contingent liabilities

As at 30 June 2008, no buildings held for own use of the Group (31 December 2007: HK\$2,876,000) were pledged. Corporate guarantee of the Company was given as security for banking facilities amounting to HK\$5,000,000 (31 December 2007: HK\$5,000,000) granted to a subsidiary of a former related company. As at 30 June 2008, no facilities had been utilised (31 December 2007: HK\$2,533,000).

As at 30 June 2008, no contingent liabilities in connection with performance bonds for suppliers noted (31 December 2007: HK\$1,638,000).

Contingent assets

According to the two sale and purchase agreements dated 29 March 2005 and 6 December 2005 and the corresponding announcements and circulars dated 30 March 2005, 20 April 2005, 6 December 2005 and 30 December 2005 respectively, the consideration paid by the Group as purchaser was subject to downward adjustments. The Company is now in active discussion with the vendors for the refund of the consideration.

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 2008, the Group had approximately 71 (31 December 2007: 112) employees. Employees' costs (including directors' emoluments) amounted to approximately HK\$8,860,000 (31 December 2007: HK\$22,900,000) 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 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 period, no 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 six months ended 30 June 2008, 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 2008.

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 2008.

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 six months ended 30 June 2008 with the Directors.

By order of the Board
Sze Wai, Marco
Chairman

Hong Kong, 25 September 2008

As at the date hereof, the board of directors of the Company comprises Sze Wai, Marco, Chu Chi Shing, Song Jing Sheng and Tan Shu Jiang as executive Directors, Wong Po Yan, Mao Zhenhua and Chong Yiu Kan, Sherman as independent non-executive Directors.