



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 2008**

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Continuing operations			
Turnover	3	13,013	60,505
Cost of sales		(1,397)	(50,493)
Gross profit		11,616	10,012
Other income	4	16,524	24,655
Administrative expenses		(65,814)	(61,191)
Other operating expenses		(13,251)	(3,529)
Loss from operations		(50,925)	(30,053)
Fair value gain on derivative component of convertible loan	14	18,671	11,921
Finance costs	5	(14,901)	(12,370)
Impairment losses on goodwill		(51,760)	–
Loss before tax		(98,915)	(30,502)
Income tax credit	6	165	881
Loss for the year from continuing operations		(98,750)	(29,621)
Discontinued operations			
Profit for the year from discontinued operations		–	3,022
Loss for the year	7	(98,750)	(26,599)
Attributable to:			
Equity holders of the Company		(98,750)	(26,144)
Minority interests		–	(455)
		(98,750)	(26,599)
(Loss)/profit per share			
From continuing and discontinued operations:			
Basic	9(a)	(5.36) cents	(1.60) cents
Diluted	9(a)	N/A	N/A
From continuing operations:			
Basic	9(b)	(5.36) cents	(1.81) cents
Diluted	9(b)	N/A	N/A
From discontinued operations:			
Basic	9(c)	N/A	0.21 cents
Diluted	9(c)	N/A	N/A

* For identification purpose only

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Fixed assets			
Investment properties		–	2,700
Property, plant and equipment		70,240	70,633
Prepaid land lease payments		2,155	2,158
		<u>72,395</u>	75,491
Goodwill	11	–	48,928
Intangible assets		37,861	40,614
Available-for-sale financial assets		1,229	–
Pledged deposits		5,000	29,646
		<u>116,485</u>	<u>194,679</u>
Current assets			
Trade and other receivables	12	6,882	57,154
Bank and cash balances		249,639	229,534
		<u>256,521</u>	<u>286,688</u>
Current liabilities			
Trade and other payables	13	7,039	14,337
Finance lease payables		–	536
Derivative component of convertible loan	14	1,295	19,966
Current tax liabilities		693	–
		<u>9,027</u>	<u>34,839</u>
Net current assets		<u>247,494</u>	<u>251,849</u>
Total assets less current liabilities		363,979	446,528
Non-current liabilities			
Convertible loan	14	51,345	41,539
Finance lease payables		–	93
Deferred tax liabilities		7,183	7,645
		<u>58,528</u>	<u>49,277</u>
Net assets		<u>305,451</u>	<u>397,251</u>
Capital and reserves			
Share capital		184,128	184,128
Reserves		121,323	213,123
Total equity		<u>305,451</u>	<u>397,251</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), 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, available-for-sale financial assets and derivative component of convertible loan 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 its accounting year beginning on 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards 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 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:

	2008	2007
	HK\$’000	HK\$’000
Provision of ATM services	11,603	9,540
Sale of integrated circuits and computer software	1,410	50,965
Software development and systems integration services	–	6,000
	<u>13,013</u>	<u>66,505</u>
Representing:		
Continuing operations	13,013	60,505
Discontinued operations	–	6,000
	<u>13,013</u>	<u>66,505</u>

4. OTHER INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Fair value gain on investment properties	–	350
Gain on deregistration of subsidiaries	2,037	9,080
Gain on disposal of available-for-sale financial assets	625	–
Gain on disposal of investment properties	–	1,250
Gain on disposal of property, plant and equipment and prepaid land leases	–	2,206
Government grants	–	50
Interest income	4,735	4,945
Net exchange gains	6,544	5,478
Rental income from investment properties	–	374
Reversal of impairment losses on recovery of trade receivables	2,573	–
Waiver of other payables	–	961
Others	10	108
	<u>16,524</u>	<u>24,802</u>

Representing:

Continuing operations	16,524	24,655
Discontinued operations	–	147
	<u>16,524</u>	<u>24,802</u>

5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Finance lease charges	31	69
Interest on bank loans and overdraft	72	1,509
Interest on convertible loan (<i>note 14</i>)	14,798	11,026
	<u>14,901</u>	<u>12,604</u>

Representing:

Continuing operations	14,901	12,370
Discontinued operations	–	234
	<u>14,901</u>	<u>12,604</u>

6. INCOME TAX CREDIT

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax – PRC Income tax		
Provision for the year	<u>(684)</u>	<u>–</u>
Deferred tax		
Origination and reversal of temporary differences	<u>849</u>	<u>881</u>
	<u>165</u>	<u>881</u>

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2008 and 2007 as the Group did not generate any assessable profits arising in Hong Kong during the years.

Under the new enterprise income tax law of the PRC effective from 1 January 2008, the tax rate applicable to domestic-invested enterprises and foreign-invested enterprises has been standardised at 25%. For the year ended 31 December 2007, the tax rate applicable to disposed subsidiaries established and operating in the PRC is 33%.

7. LOSS FOR THE YEAR

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amortisation of intangible assets (included in administrative expenses)	5,044	4,825
Auditor's remuneration	1,334	1,683
Cost of inventories sold	1,397	55,295
Depreciation	11,661	8,514
Deficit on revaluation of property, plant and equipment (included in other operating expenses)	57	–
Net exchange gains	(6,544)	(5,478)
Fair value gain on investment properties	–	(350)
Gain on deregistration of subsidiaries	(2,037)	(9,080)
Gain on disposal of available-for-sale financial assets	(625)	–
Gain on disposal of investment properties	–	(1,250)
Gain on disposal of subsidiaries	–	(5,831)
Loss/(gain) on disposal of property, plant and equipment and prepaid land leases	2,520	(2,206)
Impairment losses on prepayments for investments (included in other operating expenses)	–	500
Impairment losses on trade and other receivables (included in other operating expenses)	9,754	1,648
Operating lease charges in respect of land and buildings and ATM deployment	5,382	4,336
Rental income from investment properties less direct outgoings (2007: HK\$14,000)	–	(360)
Reversal of impairment losses on recovery of trade receivables	(2,573)	–
Staff costs including directors' emoluments		
Contributions to defined contribution schemes	611	797
Salaries, wages and other benefits	16,156	21,801
Equity settled share-based payments	(133)	278
	16,634	22,876
Written off of property, plant and equipment	161	–
Written off of trade and other receivables	759	1,000

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2008 and 2007.

9. (LOSS)/PROFIT PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss (2007: 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\$98,750,000 (2007: HK\$26,144,000) and the weighted average number of ordinary shares of 1,841,285,000 (2007: 1,633,388,000) in issue during the year.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2008 and 2007.

(b) From continuing operations

Basic loss per share

The calculation of basic loss (2007: 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\$98,750,000 (2007: HK\$29,621,000) 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 2008 and 2007.

(c) From discontinued operations

Basic profit per share

For the year ended 31 December 2008, there is no discontinued operation. The calculation of basic profit per share from discontinued operations for the year ended 31 December 2007 is based on the profit attributable to equity holders of the Company of approximately HK\$3,477,000 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 2008 and 2007.

10. 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	1,410	50,965	11,603	9,540	-	-	-	6,000	13,013	66,505
Other income from external customers	-	-	9	-	-	-	-	147	9	147
	<u>1,410</u>	<u>50,965</u>	<u>11,612</u>	<u>9,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,147</u>	<u>13,022</u>	<u>66,652</u>
Segment results	1,118	(817)	(74,829)	(17,406)	-	-	-	(2,971)	(73,711)	(21,194)
Unallocated operating income and expenses	-	-	-	-	-	-	-	-	(10,303)	6,318
Loss from operations	-	-	-	-	-	-	-	-	(84,014)	(14,876)
Finance costs	-	-	-	-	-	-	-	-	(14,901)	(12,604)
Income tax credit	-	-	-	-	-	-	-	-	165	881
Minority interests	-	-	-	-	-	-	-	-	-	455
Loss attributable to equity holders									<u>(98,750)</u>	<u>(26,144)</u>
Impairment losses recognised in income statement	3,961	-	54,233	1,648	-	-	-	-		
Depreciation and amortisation charge for the year	<u>379</u>	<u>311</u>	<u>16,000</u>	<u>12,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Segment assets	13,389	26,660	302,351	225,898	-	-	-	-	315,740	252,558
Unallocated assets	-	-	-	-	-	-	-	-	57,266	228,809
Total assets									<u>373,006</u>	<u>481,367</u>
Segment liabilities	(382)	(4,247)	(8,485)	(12,028)	-	-	-	-	(8,867)	(16,275)
Unallocated liabilities	-	-	-	-	-	-	-	-	(58,688)	(67,841)
Total liabilities									<u>(67,555)</u>	<u>(84,116)</u>
Capital expenditure incurred during the year	<u>-</u>	<u>-</u>	<u>7,738</u>	<u>25,359</u>	<u>644</u>	<u>564</u>	<u>-</u>	<u>-</u>	<u>8,382</u>	<u>25,923</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	
	2008 PRC HK\$'000	2007 PRC HK\$'000	2008 Hong Kong HK\$'000	2007 Hong Kong HK\$'000	2008 Total HK\$'000	2007 Total HK\$'000	2008 PRC HK\$'000	2007 PRC HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue from external customers	<u>11,603</u>	<u>9,540</u>	<u>1,410</u>	<u>50,965</u>	<u>13,013</u>	<u>60,505</u>	<u>-</u>	<u>6,000</u>	<u>13,013</u>	<u>66,505</u>
Segment assets	<u>302,435</u>	<u>230,642</u>	<u>70,571</u>	<u>250,725</u>	<u>373,006</u>	<u>481,367</u>	<u>-</u>	<u>-</u>	<u>373,006</u>	<u>481,367</u>
Capital expenditure incurred during the year	<u>7,738</u>	<u>25,359</u>	<u>644</u>	<u>564</u>	<u>8,382</u>	<u>25,923</u>	<u>-</u>	<u>-</u>	<u>8,382</u>	<u>25,923</u>

11. GOODWILL

HK\$'000

Cost:

At 1 January 2007	122,629
Exchange adjustments	<u>8,866</u>
At 31 December 2007 and at 1 January 2008	131,495
Exchange adjustments	<u>7,615</u>
At 31 December 2008	<u>139,110</u>

Accumulated impairment losses:

At 1 January 2007	77,000
Exchange adjustments	<u>5,567</u>
At 31 December 2007 and at 1 January 2008	82,567
Exchange adjustments	4,783
Impairment losses recognised	<u>51,760</u>
At 31 December 2008	<u>139,110</u>

Carrying amount:

At 31 December 2008	<u><u>-</u></u>
At 31 December 2007	<u><u>48,928</u></u>

Goodwill arose in the business combination because the consideration paid for the combination effectively included amounts in relation to the benefits of expected revenue growth and future market development. The goodwill arising from the business combination is wholly allocated to the ATM business segment, a cash-generating unit, for impairment test. The recoverable amounts of the goodwill are determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover. The Group estimates discount

rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the ATM business. The growth rates are based on long-term average economic growth rate of the geographical area in which the ATM business operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the ATM business in which it operates. The rate used to discount the cash flow forecasts of the ATM business is 17%.

During the year, the operating performance of the ATM business segment was dismal. In the opinion of the directors, it is uncertain that sufficient cash flow will be generated by the cash-generating unit in the foreseeable future to substantiate the carrying amount of the goodwill and, accordingly, a further impairment of approximately HK\$51,760,000 (2007: HK\$Nil) has been made and recognised in the current year's consolidated income statement, resulting in a full impairment of the goodwill as at 31 December 2008.

12. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	(a)	4,116	5,961
Prepayments, deposits and other receivables		<u>2,766</u>	<u>51,193</u>
		<u>6,882</u>	<u>57,154</u>

Note:

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current	1,096	4,147
1 to 3 months overdue	425	1,814
3 months to 12 months	1,808	–
Over 1 year	<u>787</u>	<u>–</u>
	<u>4,116</u>	<u>5,961</u>

Credit terms granted by the Group to the customers generally range from 30 days to 150 days. Trade receivables 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 a currency other than the presentation currency:

	2008	2007
	'000	'000
Renminbi	63	196
United States dollars	<u>161</u>	<u>649</u>

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

	2008	2007
	HK\$'000	HK\$'000
At 1 January	36,493	34,755
Impairment losses recognised	3,961	1,648
Reversal of impairment losses on recovery of trade receivables	(2,573)	–
Exchange adjustments	<u>142</u>	<u>90</u>
At 31 December	<u>38,023</u>	<u>36,493</u>

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 were irrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As of 31 December 2008, trade receivables of approximately HK\$3,020,000 (2007: HK\$1,814,000) were past due but not impaired. This was related to number of independent customers for whom there is with no recent history of default. The ageing analysis of the trade receivables is as follows:

	2008	2007
	HK\$'000	HK\$'000
Up to 3 months	425	1,814
3 months to 12 months	1,808	–
Over 1 year	<u>787</u>	<u>–</u>
	<u>3,020</u>	<u>1,814</u>

13. TRADE AND OTHER PAYABLES

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Trade payables	(a)	215	611
Bills payable	(a)	–	5,556
Other payables and accrued expenses		6,312	7,712
Amount due to a director	(c)	512	458
		<u>7,039</u>	<u>14,337</u>

Note:

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

	2008 HK\$'000	2007 HK\$'000
Due within 3 months or on demand	215	5,714
Overdue 3 months to 1 year	–	453
	<u>215</u>	<u>6,167</u>

- (b) Included in trade and other payables are the following amounts denominated in a currency other than the presentation currency:

	2008 '000	2007 '000
Renminbi	356	1,129
United States dollars	44	413

- (c) The amount due to a director is interest free, unsecured and has no fixed terms of repayment.

14. CONVERTIBLE LOAN

On 14 November 2006 the Company entered into a Subscription Agreement and a Loan Agreement with a shareholder of the Company, Customers Asia Limited (“CAL”), for the issue of a three-year 8% coupon convertible loan with a nominal value of HK\$62,400,000. On 4 March 2008, Leading Value Industrial Limited (“LV”), CAL and the holding company of CAL, Customers Limited jointly entered into a Sales and Purchase Agreement (the “Agreement”). Pursuant to the Agreement, CAL would sell the entire convertible loan totalling HK\$62.4 million to a related party wholly owned by LV, which is in turn wholly owned by a director, Mr. Sze Wai, Macro.

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. Upon full conversion, the convertible note shall be converted into 240,000,000 ordinary shares of the Company.

The convertible loan contains two components, liability component and conversion option derivative.

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 consolidated income statement. The residual amount is assigned as the liability component.

	Liability component HK\$'000	Conversion option derivative HK\$'000	Total HK\$'000
Convertible loan issued during the year	30,513	31,887	62,400
Interest charged (<i>note 5</i>)	11,026	–	11,026
Fair value gain for the year	–	(11,921)	(11,921)
At 31 December 2007	41,539	19,966	61,505
Interest charged (<i>note 5</i>)	14,798	–	14,798
Interest paid during the year	(4,992)	–	(4,992)
Fair value gain for the year	–	(18,671)	(18,671)
At 31 December 2008	51,345	1,295	52,640

Fair value of conversion option derivative and assumptions

The estimate of the fair value of the conversion option derivative is measured based on the binomial model. Details of the assumptions of conversion option derivative are as follows:

Date of valuation	31 December 2008	31 December 2007
Share price (HK\$)	0.086	0.185
Conversion price (HK\$)	0.26	0.26
Volatility	80.7%	96.94%
Maturity period	3 years	3 years
Conversion period	1-3 years	1-3 years
Risk free rate of interest	0.59%	2.83%

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

The directors estimate the fair value of the liability component of the convertible loan at 31 December 2008 to be approximately HK\$69,175,000 (2007: HK\$67,888,000). This fair value has been calculated by discounting the future cash flows at the market rate.

BUSINESS REVIEW

To ensure the smooth staging of the 2008 Beijing Olympics, the Chinese government implemented a series of security measures including restriction on the introduction of new financial services, which affected the business of the Group directly. The measure led to delay of partner banks of the Group to begin construction of self-service financial services and expand their ATM networks in cities such as Beijing, Shanghai, Tianjin, Shenyang and Qingdao, etc.

Although the financial market in China was not directly hit by the global financial crisis which started in the second half of 2008, uncertainties in the market and reservation of investors has led to contracted financial activities and in turn more harm to its ATM business.

Facing the tough time, the Group shifted the focus of its business expansion strategy on to strengthening cooperation with existing customers. At the same time, it also kept communicating with potential customers expressing its strong desire for cooperation so as to prepare to forge formal partnership at opportune time.

In addition, during the year under review, the Group made good progress in reviewing the location selection strategy of ATM, reinforcing the support system and maintenance service capabilities and thus enhanced management of its ATM business.

PROSPECTS

In recent years, retail banking business and bank card business have been growing continuously in China. According to the statistics of China Unionpay, there were 160,000 ATMs installed in the country in 2008, yet the number was still way below those of developed countries, which means the China ATM market has huge development potential. Also, the independent UK research company Retail Banking Research stated in its “Global ATM Market and Forecasts for 2013” report that in the Asia Pacific Region, which accounted for around 1/3 of the global ATM market, the China market has been the fastest growing at double-digit rates in recent years.

The rate at which ATMs are installed has no doubt changed the market landscape making it more and more competitive. To meet the challenges and enhance competitiveness, the Group will strive to improve operational efficiency, optimize technical support and services, and develop value-added service business.

Looking ahead, the Group will maintain its stringent location selection strategy and adopt a prudent approach in taking its business forward. It will also seek to innovate in developing operation mode of its ATM business backed by the consensus it has reached with a number of partner banks and China Unionpay on development of ATM value-added services. The high value-adding services in its development plan include utility bill payment, mobile phone top-up, dispensing of lottery wins and advertising, etc. to increase revenue from transaction handling.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had cash and bank balances of HK\$254.6 million (2007: HK\$259.2 million) of which HK\$5 million (2007: HK\$29.6 million) were pledged to a bank for facilities granted to the Group.

The Group had loans and overdraft amounting HK\$52.6 million (2007: HK\$62.1 million) as at 31 December 2008. As at 31 December 2008, the total asset value of the Group was HK\$373 million (2007: HK\$481.4 million) whereas the total liabilities was HK\$67.6 million (2007: HK\$84.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 18.1% (2007: 17.5%).

As at 31 December 2008, the Group had available aggregate banking facilities of HK\$5 million (2007: HK\$67 million) of which HK\$5 million (2007: HK\$62.1 million) has not been utilised.

Assets charged as security for banking facilities included bank deposits totalling HK\$5 million (2007: HK\$29.6 million and investment properties of the Group valued at HK\$2.7 million) as at 31 December 2008.

The Group maintained a net cash (being the total cash and bank balances net of total borrowings) to equity ratio of 66.1% (2007: net cash to equity ratio of 51.8%) as at 31 December 2008. With net cash of HK\$202 million (2007: net cash of HK\$197.1 million) as at 31 December 2008, 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 2008, the Group did not have contingent liabilities in connection with performance bonds for suppliers (2007: HK\$1,638,000).

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 2008, the Group had approximately 58 (2007: 112) employees of which approximately 10 (2007: 28) were technicians and engineers. Employees' costs (including directors' emoluments) amounted to approximately HK\$16.6 million (2007: HK\$22.9 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 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 year ended 31 December 2008, 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 2008. 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 2008 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, 22 April 2009

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