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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 2009**

The board of directors (the “Board”) of FinTronics Holdings Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Note</i>	\$'000	\$'000
Turnover	2	5,821	6,778
Cost of sales		<u>—</u>	<u>(1,397)</u>
Gross profit		<u>5,821</u>	<u>5,381</u>
Other revenue	3	4,076	9,015
Administrative expenses		(31,675)	(31,348)
Other operating expenses		(15,488)	(1,822)
Finance costs		<u>(28)</u>	<u>(892)</u>
Loss before tax		(37,294)	(19,666)
Income tax credit	4	<u>421</u>	<u>424</u>
Loss for the period attributable to owners of the Company	5	<u>(36,873)</u>	<u>(19,242)</u>
Loss per share	7		
Basic (cents)		<u>(2.0)</u>	<u>(1.05)</u>
Diluted (cents)		<u>N/A</u>	<u>N/A</u>

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

	Six months period ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Loss for the period attributable to owners of the Company	(36,873)	(19,242)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	494	10,385
Available-for-sales financial assets	122	12
Gain on revaluation of property	—	142
Other comprehensive income for the period, net of tax	616	10,539
Total comprehensive expense for the period attributable to owners of the Company	(36,257)	(8,703)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

(Expressed in Hong Kong dollars)

		At 30 June 2009 (Unaudited) \$'000	At 31 December 2008 (Audited) \$'000
	Note		
Non-current assets			
Property, plant and equipment		64,221	70,240
Prepaid land lease payments		2,153	2,155
Intangible assets		35,334	37,861
Available-for-sale financial assets	8	573	1,229
Pledged deposits		5,000	5,000
		<u>107,281</u>	<u>116,485</u>
Current assets			
Trade and other receivables	9	17,422	6,882
Bank and cash balances		155,530	249,639
		<u>172,952</u>	<u>256,521</u>
Current liabilities			
Trade and other payables	10	4,701	7,039
Derivative component of convertible loan		–	1,295
Current tax liabilities		–	693
		<u>4,701</u>	<u>9,027</u>
Net current assets		<u>168,251</u>	<u>247,494</u>
Total assets less current liabilities		<u>275,532</u>	<u>363,979</u>
Non-current liabilities			
Convertible loan		–	51,345
Deferred tax liabilities		6,338	7,183
		<u>6,338</u>	<u>58,528</u>
NET ASSETS		<u>269,194</u>	<u>305,451</u>
Capital and reserves			
Share capital		184,128	184,128
Reserves		85,066	121,323
TOTAL EQUITY		<u>269,194</u>	<u>305,451</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital \$'000	Share premium \$'000	General reserve \$'000	Translation reserve \$'000	Property revaluation reserve \$'000	Investment revaluation reserve \$'000	Warrants reserve \$'000	Share option reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2008	184,128	440,649	–	15,152	68	–	592	1,973	(245,311)	397,251
Other comprehensive income for the period	–	–	–	10,385	142	12	–	–	–	10,539
Loss for the period	–	–	–	–	–	–	–	–	(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>
At 1 January 2009	184,128	440,649	–	22,505	11	(213)	592	1,695	(343,916)	305,451
Other comprehensive income for the period	–	–	–	494	–	122	–	–	–	616
Loss for the period	–	–	–	–	–	–	–	–	(36,873)	(36,873)
At 30 June 2009	<u>184,128</u>	<u>440,649</u>	<u>–</u>	<u>22,999</u>	<u>11</u>	<u>(91)</u>	<u>592</u>	<u>1,695</u>	<u>(380,789)</u>	<u>269,194</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Net cash (used in)/generated from operating activities	(26,928)	40,970
Net cash generated from/(used in) investing activities	894	(5,465)
Net cash used in financing activities	<u>(68,483)</u>	<u>(6,146)</u>
Net (decrease)/increase in cash and cash equivalents	(94,517)	29,359
Effect of foreign exchange rate changes, net	408	226
Cash and cash equivalents at 1 January	<u>249,639</u>	<u>229,534</u>
Cash and cash equivalents at 30 June	<u><u>155,530</u></u>	<u><u>259,119</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

(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 requirements of Appendix 16 to 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 buildings, available-for-sale financial assets and derivative component of convertible loan, which are carried at their fair values.

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 2008, except for the adoption of the following revised standards, amendments and interpretations (“revised HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning on or after 1 January 2009.

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, geographical segments by location of the Group’s customers that is also the location of the Group’s operations, are the basis on which the Group reports its primary segment information. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 2). The adoption of the revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following revised standards, amendments or interpretations that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
HKAS 27 (revised)	Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (revised)	Business Combinations	1 July 2009

The directors of the Company anticipate that the application of the revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Summary details of the business segments are as follows:

(1) Automatic teller machines services

Provision of "automatic teller machines" services

(2) Sales of integrated circuits and computer software

Trading of integrated circuits and computer software

In determining the Group's geographical segments, revenues are attributable to the segments based on the location of the customers.

(a) Business segments

	Segment revenue Six months ended 30 June		Segment results Six months ended 30 June	
	2009 (Unaudited) \$'000	2008 (Unaudited) \$'000	2009 (Unaudited) \$'000	2008 (Unaudited) \$'000
Automatic teller machines services	5,821	5,368	(8,270)	(11,271)
Sales of integrated circuits and computer software	—	1,410	283	5,893
Total	<u>5,821</u>	<u>6,778</u>	<u>(7,987)</u>	<u>(5,378)</u>
Unallocated operating income and expenses			<u>(29,279)</u>	<u>(13,396)</u>
Loss from operations			(37,266)	(18,774)
Finance costs			(28)	(892)
Income tax credit			<u>421</u>	<u>424</u>
Loss for the period attributable to owners of the Company			<u>(36,873)</u>	<u>(19,242)</u>

(b) Geographical segments

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Revenue from external customers:		
Hong Kong	–	1,410
PRC	<u>5,821</u>	<u>5,368</u>
Total	<u>5,821</u>	<u>6,778</u>

3 OTHER REVENUE

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Gain on disposal of available-for-sale financial assets	138	635
Interest income	2,563	1,309
Net exchange gains	564	6,768
Reversal of impairment losses on recovery of trade receivables	624	–
Others	<u>187</u>	<u>303</u>
	<u>4,076</u>	<u>9,015</u>

4 INCOME TAX CREDIT

The Company's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at a rate of 25%. No provision has been made for both Hong Kong Profits Tax and PRC Enterprise Income Tax as the Group did not generate any assessable profits during the period.

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Deferred taxation		
Origination and reversal of temporary differences	<u>421</u>	<u>424</u>

5 LOSS FOR THE PERIOD

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

	Six months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Additional payment on early repayment of convertible loan (included in administrative expenses)	3,120	–
Amortisation of prepaid land lease payments	1	29
Amortisation of intangible assets	2,554	2,568
Depreciation	5,870	5,776
Gain on disposal of available-for-sale financial assets	(138)	(635)
Interest on bank borrowings	–	892
Loss for derivative component of convertible loan on repayment (included in other operating expenses)	15,258	–
Loss on disposal of property, plant and equipment	102	902
Net exchange gains	(564)	(6,768)
Reversal of impairment losses on recovery of trade receivables	(624)	–
Staff costs including directors' emoluments	7,854	8,860
Written off of property, plant and equipment	124	905

6 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: \$Nil).

7 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$36,873,000 for the six months ended 30 June 2009 (2008: HK\$19,242,000) and the weighted average number of ordinary shares of 1,841,285,000 (2008: 1,841,285,000) 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 2009 and 2008.

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30 June 2009 (Unaudited) \$'000	At 31 December 2008 (Audited) \$'000
Equity securities, at fair value		
– listed in Hong Kong	268	260
– listed outside Hong Kong	<u>305</u>	<u>969</u>
Market value of listed securities	<u><u>573</u></u>	<u><u>1,229</u></u>

9 TRADE AND OTHER RECEIVABLES

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:

	At 30 June 2009 (Unaudited) \$'000	At 31 December 2008 (Audited) \$'000
Current	1,185	1,096
1 to 3 months overdue	283	425
3 months to 12 months	626	1,808
Over 1 year	<u>–</u>	<u>787</u>
Total trade receivables	2,094	4,116
Prepayments, deposits and other receivables	<u>15,328</u>	<u>2,766</u>
Total trade and other receivables	<u><u>17,422</u></u>	<u><u>6,882</u></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.

10 TRADE AND OTHER PAYABLES

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

	At 30 June 2009 (Unaudited) \$'000	At 31 December 2008 (Audited) \$'000
	<i>Note</i>	
Due within 3 months or on demand	561	215
Overdue 3 months to 1 year	177	—
Total trade payables	738	215
Other payables and accrued expenses	3,476	6,312
Amount due to a director	(a) 487	512
Total trade and other payables	<u>4,701</u>	<u>7,039</u>

Note:

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

BUSINESS REVIEW

With the financial sector still in turmoil, the financial service industry continued to be slack making the operating environment very difficult for industry players. Thus, during the review period, the Group took the defensive approach and worked on boosting internal strengths. It managed ATM projects realistically, assessed its ATM deployment strategy, and reinforced its support system and maintenance service capabilities in the bid to enhance overall operational efficiency and consolidate its position in the testing market environment where only the strong players will survive.

To reduce financial risk amid uncertain market conditions, the Group implemented prudent financial management and credit control during the period under review. The Group also strived to improve overall operation flow and enhance management so as to reduce operating costs further.

During the period, the Group focused on studying innovative operation modes for its ATM business and made deployment for developing more high value-adding services including utility bill payment, mobile phone top-up, dispensing of lottery tickets and advertising, etc. to increase revenue from transaction handling. Currently, the Group is working actively with existing and potential customers on cooperative arrangements with the aim of securing more ATM installation contracts and launching joint high value-adding service projects. This will allow the Group to steadily expand its ATM deployment network and develop more diverse payment services when the financial market picks up again.

PROSPECTS

Although the Chinese Government has implemented economic stimulus measures to mitigate the impacts of the global financial crisis on the Chinese economy, the global economy has yet recovered from the slump meaning economic uncertainties will still be affecting China in the second half year. Spurred by huge investment led by the government, China's GDP growth rate rebounded from 6.1% in the first quarter to 7.9% in the second quarter. However, the increment was less than the double-digit growth in the past few years, which suggested that the country cannot be over-optimistic about economic development in the future. Thus, the Group is cautious about the prospects of consumption market and e-payment services.

The Group sees the ATM industry becoming more competitive and squeezing the gross profit margin of its ATM business. Anticipating growing challenges and competition for its business, the Group will actively improve operational efficiency and boost its technical support capabilities and services.

Looking ahead, the Group will adhere to its practical and active approach in taking its business forward, taking reference of the economic environment and market needs when identifying opportunities. The management is confident that the Group, by implementing sound business strategies and with ample capital to draw on, will be able to bring long-term returns and generate good values for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to have a healthy position. As at 30 June 2009, the Group had cash and bank balances HK\$160.5 million, 37% lower than the balance as at 31 December 2008 of HK\$254.6 million, mainly attributable to the Group's utilisation of some of its cash on hand to early repay the principal amount of 8% convertible loan of HK\$62.4 million.

The Group had no loans as at 30 June 2009 (31 December 2008: HK\$52.6 million). As at 30 June 2009, the total asset value of the Group was HK\$280.2 million (31 December 2008: HK\$373 million) whereas the total liabilities was HK\$11.0 million (31 December 2008: HK\$67.6 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 3.9% (31 December 2008: 18.1%).

As at 30 June 2009, the Group had available aggregate banking facilities of HK\$5 million (31 December 2008: HK\$5 million) of which HK\$5 million (31 December 2008: HK\$5 million) has not been utilised.

Bank deposits totalling HK\$5 million (31 December 2008: HK\$5 million) had been charged as security for banking facilities.

The Group maintained a net cash (being the total cash and bank balances net of total bank borrowings) to equity ratio of 59.6% (31 December 2008: 66.1%) as at 30 June 2009. With net cash of HK\$160.5 million (31 December 2008: net cash of HK\$202 million) as at 30 June 2009, 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

There were no significant contingent liabilities as at both 30 June 2009 and 31 December 2008.

POST BALANCE SHEET EVENT

On 27 July 2009, the Group's subsidiary, China Star Group (Hong Kong) Corporation Limited, entered into a provisional sale and purchase agreement to sell the property located at Telford Gardens for a consideration of HK\$2.6 million. The sale will be completed on 28 September 2009. The estimated gain to the Group is approximately HK\$63,000.

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 2009, the Group had approximately 67 (2008: 71) employees. Employees' costs (including directors' emoluments) amounted to approximately HK\$7,854,000 (2008: HK\$8,860,000) 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, 37,300,000 share options were granted to directors, executives and employees to their contribution to the Group.

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

During the six months ended 30 June 2009, 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, except for the deviations as mentioned below:

1. The roles of chairman and chief executive officer should be separated and should not be performed by the same individual. After the resignation of Mr. Chu Chi Shing as a director and the chief executive officer of the Company on 2 February 2009, Mr. Sze has also assumed management responsibility generally undertaken by a chief executive officer. The Board considers the re-designation of Mr. Sze as the CEO and the continuing retainer of Mr. Sze as the Chairman of the Company will reflect his ongoing responsibilities more appropriately. In view of the experience of Mr. Sze in the day-to-day operations of the Group and his in-depth expertise in the integrated circuits and computer software and the ATM businesses, his extensive business network and the present composition of the Board, the Board believes that this management structure can provide the Group with consistent leadership and enables the Group to make and implement the Board’s decision promptly and efficiently. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Group since three out of six of our directors are independent non-executive directors. In the circumstances, the Board considers it is in the best interest of the Group for Mr. Sze to have the roles of both the Chairman and the CEO. Such arrangement will be subject to review by the Board from time to time.
2. The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company’s Bye Laws. Under Article 111 (A) and (B) of the Articles of Association of the Company, one third of the Board must retire by rotation at each annual general meeting of the Company and, if eligible, offer themselves for re-election.
3. The chairman of the board should attend the annual general meeting. Mr. Sze Wai, Marco, the Chairman of the Board, had been heavily committed to business operations of the Group in the Mainland China. Despite his utmost intention to be present at the Company’s annual meeting held on 25 June 2009, business circumstances made it impossible. However, although he was unable to attend, Mr. Sze had arranged for Mr. Tan Shu Jiang, an executive director of the Company who is well versed in all the business activities and operations of the Group, to attend on his behalf and to chair the meeting and to respond to shareholders’ questions.

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 2009.

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 2009 with the Directors.

By order of the Board

Sze Wai, Marco

Chairman

Hong Kong, 18 September 2009

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