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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)*

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;  
AND  
SPECIFIC MANDATE TO ISSUE NEW SHARES**

**Financial adviser to the Company**

**CREDIT SUISSE** 

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION**

On 22 March 2010, the Purchaser, a wholly-owned subsidiary of the Company and the Vendor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares, at a consideration of US\$300 million. Pursuant to the terms of the Agreement, the Consideration shall be settled by cash, the issue and allotment of the Consideration Shares and the Preferred Shares.

The Vendor is a connected person of the Company by virtue of the fact that it is ultimately and beneficially owned as to 40% by Mr. Sze Wai, Marco, an executive Director and the Chairman of the Company and a substantial Shareholder, holding approximately 25.76% of the issued share capital of the Company as at the date of this announcement. As such, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Acquisition under Chapter 14 of the Listing Rules are more than 100%, the Acquisition also constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the SGM.

\* For identification purposes only

## **GENERAL**

A circular containing, among other matters, further details of the Acquisition, a discussion on the risks associated with the new business to be undertaken by the Group, the valuation report on the Target Mines, the technical report on the Target Mines, the property valuation report on the Enlarged Group's properties, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and a notice convening the SGM, will be despatched to the Shareholders in compliance with the Listing Rules.

## **SPECIFIC MANDATE TO ISSUE NEW SHARES**

A specific mandate for the issue of the Consideration Shares and the Preferred Shares will be sought at the SGM.

**There is no assurance that the Acquisition will be proceeded with as planned, or at all. Shareholders and potential investors are advised to exercise extreme caution when dealing in the Shares.**

## **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION**

### **THE AGREEMENT**

**Date:** 22 March 2010

**Parties:**

**Purchaser:** Maxing Investment Limited, a wholly-owned subsidiary of the Company and an investment holding company.

Vendor: Truffle Rich Holdings Limited, an investment holding company.

On the date of this announcement, the Vendor has entered into the Spring Vast Agreement with Golden Grains Holdings Limited, a third party independent of the Company and the connected persons of the Company, for the acquisition of the entire issued share capital of the Target. The ultimate beneficial owner of each of Golden Grains Holdings Limited and Victor Phoenix Limited (which is a 30% shareholder of the Vendor) is Ms. Yu Zhenglan. Ms. Yu Zhenglan is a third party independent of the Company and the connected persons of the Company and does not have any relationship with Mr. Sze Wai, Marco (other than as ultimate beneficial owners of certain shares in the Vendor). The consideration for the shares of the Target is US\$48.5 million. The Vendor will also be providing the Shareholders' Loan in the amount of US\$41.5 million to the Target. Accordingly, the total cost for the acquisition of and investment in the Target by the Vendor is US\$90 million.

On 21 December 2009, the Subsidiary and each of the shareholders of Omchak entered into the Definitive Agreements whereby each of the shareholders of Omchak agreed to sell and the Subsidiary agreed to acquire an aggregate of 80% shareholding interest in Omchak at an aggregate consideration of US\$41.5 million. The Shareholders' Loan of US\$41.5 million to be obtained by the Target will be applied by the Subsidiary to pay the consideration under the Definitive Agreements for the acquisition of 80% interest in Omchak.

Upon completion of the Definitive Agreements and the Spring Vast Agreement, the Vendor will become the legal and beneficial owner of the entire issued share capital of the Target which in turn will indirectly hold 80% shareholding interest in Omchak. The Target had an authorised capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each, all of which had been issued and fully paid up and would then be beneficially owned by the Vendor. Completion of the Spring Vast Agreement and the Definitive Agreements had not taken place as at the date of this announcement.

The Vendor is a connected person of the Company by virtue of the fact that it is ultimately and beneficially owned as to 40% by Mr. Sze Wai, Marco, an executive Director and the Chairman of the Company and a substantial Shareholder, holding approximately 25.76% of the issued share capital of the Company as at the date of this announcement.

### **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares (being the entire issued share capital of the Target).

## Consideration

Pursuant to the terms of the Agreement, the Consideration is an aggregate sum of US\$300 million and will be settled in the following manner:

- (1) as to US\$100 million OR if the net proceeds from a fund raising exercise to be undertaken by the Company (whether by equity or loan financing/by a placing exercise of the Company) shall be less than US\$100 million, the full amount of such net proceeds, by cash payment to the Vendor (or such person(s) as nominated by the Vendor) or in such other manner as may be agreed between the Vendor and the Purchaser;
- (2) (if after the payment of cash in paragraph (1) above, there shall remain any Consideration payable) by the Company's allotment and issue to the then shareholders of the Vendor (or such person(s) as nominated by such shareholders) of the Consideration Shares, credited as fully paid, at an issue price of HK\$0.50 per Consideration Share; the number of Consideration Shares to be allotted and issued under this paragraph (2), together with the Shares then beneficially held (directly or indirectly) by the Vendor and parties acting in concert with it, shall in aggregate represent the closest to 29.9% of the issued Shares as at the Completion Date and as enlarged by the issue and allotment of the Consideration Shares; and
- (3) (if after the payment of cash and issue and allotment of the Consideration Shares in paragraphs (1) and (2) above, there shall remain any Consideration payable) as to the remaining balance of the Consideration, by the Company's allotment and issue to the then shareholders of the Vendors (or such person(s) as nominated by such shareholders) of the Preferred Shares, credited as fully paid, at an issue price of HK\$0.50 per Preferred Share (being the same price as the issue price for the Consideration Shares).

The Consideration has been determined by the Vendor and the Purchaser on the basis of normal commercial terms and arm's length negotiations which reflects the scarcity value of the investment opportunity sourced by the Vendor and made available to the Purchaser and by reference to, inter alia: (i) the value of the opportunity for the Group to gain access to the precious metals market and to broaden the income base of the Group; (ii) the growth in the market price of gold in recent years; (iii) views on the prospects and future trend of the global gold market; (iv) the further business and growth potential of the Target Group; and (v) the Enterprise Value to the Resources ratio of comparable gold mining companies listed on the Stock Exchange, which ranges from approximately US\$220/ounce to US\$320/ounce. By evaluating various valuation scenarios that take into account the aggregate gold reserves of C1 and C2, as well as the aggregate gold resources of P1 under the Russian Code, the Company is of the view that the Consideration of US\$300 million renders the Acquisition an attractive commercial opportunity. In determining the Consideration, the Company took a conservative approach by not attributing any value to the aggregate gold resources of P2 and P3 under the Russian Code, because such gold resources are based on relatively early stage exploration data. For the purpose of this paragraph, the actual Enterprise Value to the Resources ratio of a comparable gold mining company listed on the Stock Exchange is calculated by the Enterprise Value of that company as at 22 March 2010, being the trading day immediately prior to the date of the Agreement, divided by the total Resources of the same company as disclosed in its latest publicly available company filings or reports.

Other than the Consideration and the legal and other professional fees to be incurred in relation to the Agreement and the transactions contemplated thereunder, including, among others, evaluation of the Acquisition, due diligence review over the Target Group and the preparation of various related transaction documents, the Company had not committed to any cost or capital contribution to the Target Group as at the date of this announcement. The Directors (excluding the independent non-executive Directors whose view will be rendered upon receiving the advice of the independent financial adviser) consider that the terms of Acquisition (including the basis of the Consideration), which are determined on an arm's length basis, are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

Completion is subject to certain conditions having been fulfilled or waived (as the case may be) which include:

- (1) receipt by the Purchaser from the Vendor of a legal opinion on specific areas of each of the laws of Russia, BVI and Cyprus;
- (2) the approval by the Independent Shareholders of the Company at the SGM with special resolution to approve the alterations of the memorandum of association and the bye-laws of the Company for the creation of the Preferred Shares and the adoption of the terms of the Preferred Shares and ordinary resolution(s) to approve the Agreement and the transactions contemplated hereby (including but not limited to the allotment and issue of the Consideration Shares and the Preferred Shares and the Conversion Shares upon the exercise of the conversion rights attaching to the Preferred Shares and, if applicable, the Shares or other securities to be issued by the Company pursuant to the fund raising exercise to be undertaken by the Company) and all other consents and acts required under the Listing Rules having been obtained and completed or, as appropriate, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange and/or the SFC;
- (3) all relevant approvals, consents, registration and filing procedures relating to the Target, the Subsidiary and the Russian Companies in connection with the Acquisition contemplated by the Agreement having been obtained/completed (including, where applicable, the consent of the Federal Antimonopoly Services of the Russian Federation to the acquisition of the Sale Shares pursuant to the Agreement);
- (4) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational or other aspects that the Purchaser considers relevant) on the Target Group and their related businesses, assets, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think necessary and appropriate to conduct;

- (5) (if required) the Bermuda Monetary Authority granting its permission to the allotment and the issue of the Consideration Shares, the Preferred Shares (if required) and the Conversion Shares which may be issued upon the exercise of the conversion rights attaching to the Preferred Shares and, if applicable, the Shares to be issued by the Company pursuant to the fund raising exercise to be undertaken by the Company;
- (6) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Consideration Shares, the Preferred Shares (if required), and the Conversion Shares which may be issued upon the exercise of the conversion rights attaching to the Preferred Shares and, if applicable, the Shares to be issued by the Company pursuant to the fund raising exercise to be undertaken by the Company;
- (7) the Agreement and the transactions contemplated under the Agreement not being considered by the Stock Exchange or the SFC (where appropriate) as a reverse takeover as defined in the Listing Rules or triggering the requirement for the making of a general offer under the Takeovers Code; and
- (8) completion of the Definitive Agreements and the Spring Vast Agreement.

The Purchaser may at its absolute discretion at any time waive in writing any of the conditions above (to the extent it is capable of waiving), except for conditions (2), (5), (6), (7) and (8) above. Where such conditions are not fulfilled or waived (to the extent waivable) on or before 31 December 2010, the Agreement shall lapse and no party to the Agreement shall have any claim against or liability to the other party, save in respect of any antecedent breaches of the Agreement.

With the assistance of the Vendor, the Company has commenced its due diligence review on the Target Group, including engaging accountants and legal advisers to review the financial information, the operation, the legal documents and other documents and information provided by the Vendor. The Company has also reviewed the accounts, constitutional documents and important contracts provided by the Vendor in relation to the Target Group. The Company is requesting further information and documents from the Vendor and intends to arrange site visits at the Target Mines if necessary. So far, the Company is reasonably satisfied with the results of the due diligence review. The due diligence exercise is ongoing and will be completed before the Company proceeds with completion of the Acquisition. As indicated above, one of the conditions precedent to completion of the Acquisition is that the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational or other aspects that the Purchaser considers relevant) on the Target Group. The Company will continue with the due diligence works, including the legal due diligence on the ownership and legality of the assets and operations of the Target Group, the financial due diligence on the books and records, valuation of the assets, review on the business and operations, and market studies.

The Directors confirm that as at the date of this announcement, none of the above conditions has been fulfilled and the Purchaser has no intention to waive the condition which is capable of being waived and no notice in respect of termination of the Agreement had been served by the Purchaser.

The Directors confirm that it is not intended that during the period of the Acquisition (up to and including the Completion Date), the Vendor, Mr. Sze Wai, Marco and parties acting in concert with any of them will beneficially hold (directly or indirectly), in aggregate, more than 30% of the then issued Shares, and that the Acquisition will not trigger the requirement for the making of a general offer under the Takeovers Code on the part of the Vendor, Mr. Sze Wai, Marco and parties acting in concert with any of them.

## **Completion**

Completion shall take place at 11:00 a.m. (Hong Kong time) on the Completion Date or at such other time as shall be agreed by the parties to the Agreement.

Upon Completion, the Target will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

## **SPECIFIC MANDATE TO ISSUE NEW SHARES**

### **The Consideration Shares**

The Consideration Shares will be issued at the Consideration Shares Issue Price of HK\$0.50 per Consideration Share (which is determined with reference to the average closing price of the Shares for the 90 trading days prior to the date of the Agreement), credited as fully paid. Such number of Consideration Shares will be issued to the Vendor (or as it may direct) at Completion which will result in the Vendor and parties acting in concert with it holding (directly or indirectly held) approximately 29.90% of the issued Shares as at the Completion Date and as enlarged by the allotment and issue of the Consideration Shares. Based on 1,843,484,922 issued Shares as at the date of this announcement, and on the assumption that no further Shares will be issued by the Company prior to Completion, 108,890,278 Shares will be issued as Consideration Shares.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

The Consideration Share Issue Price represents:

- (i) a discount of approximately 32.4% to the closing price of HK\$0.74 per Share as quoted on the Stock Exchange on 22 March 2010, being the trading day immediately prior to the date of the Agreement;



- (ii) a discount of approximately 29.6% to the average of the closing prices of HK\$0.71 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 22 March 2010, being the trading day immediately prior to the date of the Agreement;
- (iii) a discount of approximately 35.9% to the average of the closing prices of HK\$0.78 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 22 March 2010, being the trading day immediately prior to the date of the Agreement; and
- (iv) a discount of approximately 31.5% to the average of the closing prices of HK\$0.73 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including 22 March 2010, being the trading day immediately prior to the date of the Agreement.

The Consideration Shares Issue Price of HK\$0.50 per Consideration Share has been arrived at as a result of a protracted arm's length commercial negotiation between the Purchaser and the Vendor, and has been determined with reference to the average closing price of the Shares over a trading period considered by the parties to be sufficiently long enough to absorb the impact in share price movement in the volatile share market in the past few months. Therefore, the perception of over 30% discount on the Consideration Shares Issue Price and the Preferred Shares Issue Price do not reflect the commercial intention of the parties on pricing. The Consideration Shares will be allotted and issued on the Completion Date pursuant to the specific mandate to be sought at the SGM.

As at the date of this announcement, there are 1,843,484,922 Shares in issue. As illustrated in the table set out under the paragraph headed "Changes in shareholding structure of the Company" below and based on the assumption that no further Shares will be issued or repurchased by the Company before Completion, the maximum number of Consideration Shares to be issued would be approximately 108,890,278 and which represents approximately 5.91% of the issued share capital of the Company as at the date of this announcement and approximately 5.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

There is no provision in the Agreement which restricts the Vendor from disposing of the Consideration Shares.

### **The Preferred Shares**

The principal terms of the Preferred Shares are summarised below:

Par value: HK\$0.10

Preferred Shares Issue Price: HK\$0.50 per Share



Conversion rate for each Preferred Share:	One to one (one Preferred Share can be converted in one ordinary Share)
Conversion:	<p>The holders of the Preferred Shares shall have the right to convert the Preferred Shares, in whole or in part, at any time at the conversion rate set out above provided that:</p> <ul style="list-style-type: none"> <li>(i) no conversion of the Preferred Shares shall be made if immediately upon such conversion, the holder of the Preferred Shares and parties acting in concert with it will hold more than 29.9% (or any other voting right percentage which triggers a mandatory general offer obligation under Rule 26 of the Takeovers Code); and</li> <li>(ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company at any one time in compliance with the Listing Rules</li> </ul>
Dividends:	Holders of the Preferred Shares shall be entitled to dividend to the same extent as holders of the ordinary Shares and shall rank pari passu with the ordinary Shares in dividend as declared by the Company from time to time
Redemption:	The Preferred Shares are non-redeemable
Transferability:	The Preferred Shares are transferrable
Voting rights:	The Preferred Shares have no voting rights
Rights in liquidation:	<ul style="list-style-type: none"> <li>(i) The Preferred Shares shall rank pari passu with ordinary Shares for return of capital in the event of liquidation; and</li> <li>(ii) The Preferred Shares shall rank pari passu with ordinary Shares for the right to participate in distribution of surplus in the event of liquidation</li> </ul>
Governing law:	Hong Kong

Based on the number of Shares in issue as at the date of this announcement and assuming no further Shares will be issued or repurchased prior to Completion and there is no cash portion for the Consideration, the maximum number of the Preferred Shares to be issued pursuant to the Acquisition will be 4,547,109,722, which represents approximately 246.66% of the issued share capital of the Company as at the date of this announcement and approximately 69.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Preferred Shares.

Based on the number of Shares in issue as at the date of this announcement and assuming no further Shares will be issued or repurchased prior to Completion and the cash portion of the Consideration to be US\$100 million, the maximum number of the Preferred Shares to be issued pursuant to the Acquisition will be 2,995,109,722 which represents approximately 162.47% of the issued share capital of the Company as at the date of this announcement and approximately 60.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Preferred Shares.

The Preferred Shares will not be listed and no application will be made to the Stock Exchange for the listing of the Preferred Shares. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The conversion price of the Preferred Shares is equivalent to the Preferred Shares Issue Price. The issue of the Preferred Shares and the Conversion Shares to be issued upon conversion of the Preferred Shares will be made pursuant to the specific mandate to be sought at the SGM.

## **INFORMATION ON THE TARGET GROUP**

The Target is a company incorporated in BVI and will be wholly and beneficially owned by the Vendor upon completion of the Spring Vast Agreement. The Target is principally engaged in investment holding. The sole asset of the Target is the entire issued capital of the Subsidiary, which is also principally engaged in investment holding. On 21 December 2009, the Subsidiary and each of the shareholders of Omchak entered into the Definitive Agreements whereby each of the shareholders of Omchak agreed to sell and the Subsidiary agreed to acquire an aggregate of 80% shareholding interest in Omchak at an aggregate consideration of US\$41.5 million. Upon completion of the Definitive Agreements, the Subsidiary will own 80% shareholding interest in Omchak. Completion of the Definitive Agreements had not taken place as at the date of this announcement. The consideration of US\$41.5 million under the Definitive Agreements will be funded by way of the Shareholders' Loan.

The Directors consider that the acquisition cost of US\$90 million under the Spring Vast Agreement (including the Shareholders' Loan of US\$41.5 million) of the Target by the Vendor has been reached as a result of separate commercial negotiation unrelated to that between the Vendor and the Purchaser, and reflects a different commercial setting and different relationship between the Vendor, Golden Grains Holdings Limited and the Target. Further, as the Acquisition is subject to approval by the Independent Shareholders, an opinion from the independent financial adviser on the fairness and reasonableness of the terms of the transaction will be provided to the Independent Shareholders to assist their consideration on whether or not to approve the transactions contemplated thereunder.

Omchak and its subsidiaries are engaging in the business of geological exploration and commercial mining of placer gold deposits and hard rock gold deposits. As at the date of this announcement, Omchak owns eight gold projects in Russia. The projects are geographically dispersed over eastern Russia and include three producing alluvial gold mining operations, a proposed underground gold mine which is at a feasibility study stage, and four gold exploration projects.

Except for Berelekh, Omchak owns 100% of the assets. All such assets owned by Omchak (and through its subsidiaries) are located in Russia, and contain an aggregate gold reserves of 1,193,000 ounces. These gold reserves are categorised under the Russian Code as C1 and C2 reserves and are detailed in Table 1. In addition, a number of significant gold resources exist, which are owned by Omchak (and through its subsidiaries). These gold resources have been categorised under the Russian Code as P1, P2 and P3 resources and contain an aggregate gold resources of 6,232,000 ounces, as detailed in Table 2.

**Table 1 – Summary of Omchak gold reserves – Russian Code**

Asset	% Ownership	Location	Average grade	Contained gold ounces	Status
Berelekh	76.62%	Magadan region	1.9 g/m <sup>3</sup>	596,000	Operating Open Cut Feasibility Underground
Uduma	100%	Republic of Sakha	0.8 g/m <sup>3</sup>	27,000	Operating
Zeyazoloto	100%	Amur Region	0.5 g/m <sup>3</sup>	29,000	Operating
Verkhne-Aliinskoye	100%	Zabaikal Region	10.4 g/tonne	541,000	Feasibility (TEO)
Kulinskoe	100%	Zabaikal Region		N/A	Exploration
Bukhtinskoe	100%	Zabaikal Region		N/A	Exploration
Birusinski	100%	Irkutsk Region		N/A	Exploration
Kauchak	100%	Altai Region		N/A	Exploration
<b>Total</b>				<b><u>1,193,000</u></b>	

- Note:*
- (1) *The above estimates of gold reserves have been prepared based on the Russian Code.*
  - (2) *Berelekh reserves dated November 2009; Uduma and Zeyazoloto reserves dated January 2009; no allowance has been made for depletion of resources by 2009 mine production; excludes Uduma C2 reserves of 10,000 ounces outside the mining licence*
  - (3) *C1 feasibility study (C1 category of reserves requires a higher level of economic analysis to have been undertaken)*
  - (4) *C2 scoping/pre-feasibility (A basic level of mining economic analysis has to be carried out in order to report reserves with a C2 classification)*

**Table 2 – Summary of Omchak gold resources – Russian Code**

<b>Asset</b>	<b>P1 (gold ounces)</b>	<b>P2 (gold ounces)</b>	<b>P3 (gold ounces)</b>	<b>Total (gold ounces)</b>
Berelekh				0
Uduma	10,000	55,000		65,000
Zeyazoloto				0
Verkhne-Aliinskoye	446,000	–	–	446,000
Kulinskoe	1,125,000	964,000	–	2,089,000
Bukhtinskoe	–	964,000	–	964,000
Birusinski	–	1,511,000	–	1,511,000
Kauchak	–	–	1,157,000	1,157,000
<b>Total</b>	<b><u>1,581,000</u></b>	<b><u>3,494,000</u></b>	<b><u>1,157,000</u></b>	<b><u>6,232,000</u></b>

*Note: (1) The above estimates of gold resources have been prepared based on the Russian Code*

*(2) Uduma resource dated January 2009; Verkhne-Aliinskoye resource dated April 2009; exploration projects (Kulinskoe, Bukhtinskoe, Birusinski, and Kauchak) resource dates unknown*

*(3) P1 initial trenching and drilling (higher confidence for potential resource definition)*

*(4) P2 target identification (lower confidence potential resource definition)*

*(5) P3 regional reconnaissance (lowest confidence potential resource definition)*

Omchak is currently producing gold from Berelekh, Zeyazoloto and Uduma. Berelekh is the largest of Omchak's mines, located in the Magadan Region of northeast Russia. Current operations at Berelekh are based on 36 gold mining licences which are spread along the Berelekh River valley and tributaries over a distance of 65 kilometres. The mine produces around 50,000 ounces of gold per annum.

Uduma is a small mine located in the Ojmiakon District of the Republic of Sakha (Yakutia) in Russia. The mine produces around 2,000 ounces of gold per annum.

The Zeyazoloto gold mine is a small scale alluvial gold operation located in the Amur region of Russia, close to the border with China. Mine production during the period 2006 to 2008 averaged 2,600 ounces of gold per annum.

The Verkhne-Aliinskoye gold project is located in the Zabaikal Region of eastern Russia. The project is a potential underground mine and is at a feasibility study stage with an approved TEO that allows development to proceed.

## **Financial information on the Target Group**

The Company has been informed that no consolidated accounts for the Target Group are available. The major operating entities within the Target Group are Berelekh, Zeyazoloto and Uduma as these are the operating entities that are currently producing gold. The Company also considers Omchak as an important entity within the Target Group as it is the immediate holding company of Berelekh, Zeyazoloto and Uduma, holding various mining licences and carries out management activities. Accordingly, the financial information set out below relates to the financial information extracted from the audited accounts of each of Omchak, Berelekh, Zeyazoloto and Uduma on stand-alone basis for the year ended 31 December 2008 that are made available to the Company. Kaurchak is an entity that is currently not producing gold within the Target Group. Its financial information has not been made available to the Company and the Company has been informed that Kaurchak does not have any material contributions to the financials of the Target Group.

According to the audited financial statements of Omchak prepared under the Russian GAAP, the audited net profit before and after tax for the year ended 31 December 2008 was approximately RUB11,156,000 (equivalent to approximately HK\$2,935,789) and RUB16,388,000 (equivalent to approximately HK\$4,312,632) respectively. The audited net asset value of Omchak as at 31 December 2008 was approximately RUB641,425,000 (equivalent to approximately HK\$168,796,053).

According to the audited financial statements of Berelekh prepared under the Russian GAAP, the audited net profit before and after tax for the year ended 31 December 2008 was approximately RUB97,502,000 (equivalent to approximately HK\$25,658,421) and RUB81,368,000 (equivalent to approximately HK\$21,412,632) respectively. The audited net asset value of Berelekh as at 31 December 2008 was approximately RUB375,849,000 (equivalent to approximately HK\$98,907,632).

The financial information relating to Berelekh set out above was derived from the individual accounts of Berelekh which are made available to the Company. The accounts of Berelekh's subsidiaries, namely LLC Elita, LLC Monolit, LLC Malidyak and LLC Udarnik-2000, are not made available to the Company. However, the Company understands that these companies do not have any material contributions to the financials of the Target Group. The Company will disclose such financial information in the circular regarding the Acquisition to be despatched to the Shareholders.

According to the audited financial statements of Zeyazoloto prepared under the Russian GAAP, the audited net loss before and after tax for the year ended 31 December 2008 was approximately RUB32,436,000 (equivalent to approximately HK\$8,535,789) and RUB23,938,000 (equivalent to approximately HK\$6,299,474) respectively. The audited net liability of Zeyazoloto as at 31 December 2008 was approximately RUB9,340,000 (equivalent to approximately HK\$2,457,895).

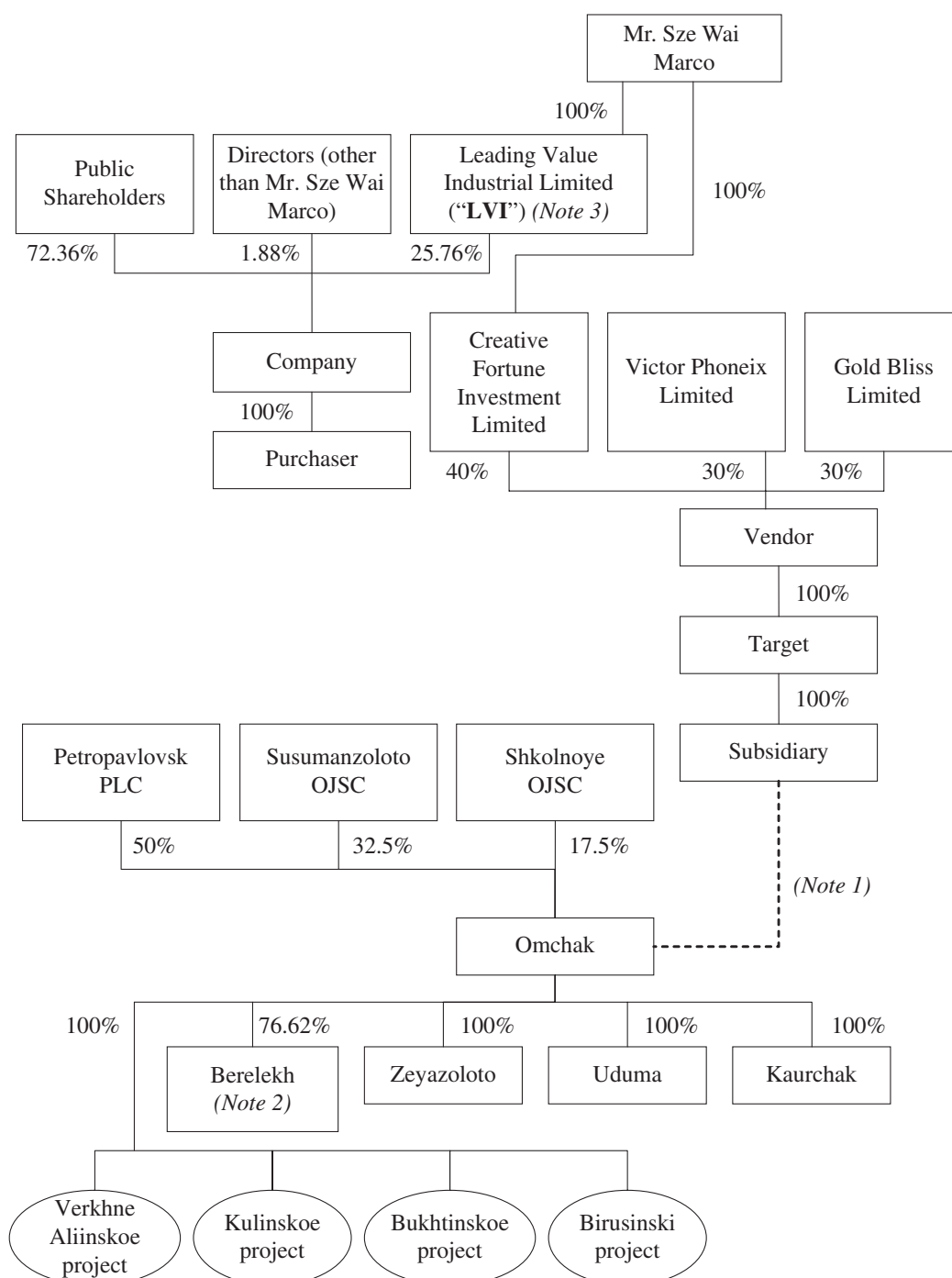
According to the audited financial statements of Uduma prepared under the Russian GAAP, the audited net loss before and after tax for the year ended 31 December 2008 was approximately RUB19,526,000 (equivalent to approximately HK\$5,138,421) and RUB14,975,000 (equivalent to approximately HK\$3,940,789). The audited net liability of Uduma as at 31 December 2008 was approximately RUB11,880,000 (equivalent to approximately HK\$3,126,316).

Based on the due diligence review conducted by the Company and the information available to the Company so far, it is currently not expected that the financial information of the Target Group for the year ended 31 December 2009 would have any material negative change as compared to that of 2008. Full audited consolidated accounts for the Target Group prepared under IFRS for the three years ended 31 December 2007, 2008 and 2009 will be made available in the circular that will be despatched to the Shareholders in compliance with the Listing Rules.

## STRUCTURE OF THE ACQUISITION

The diagram below shows the current corporate and shareholding structure of the Company and the Target Group.

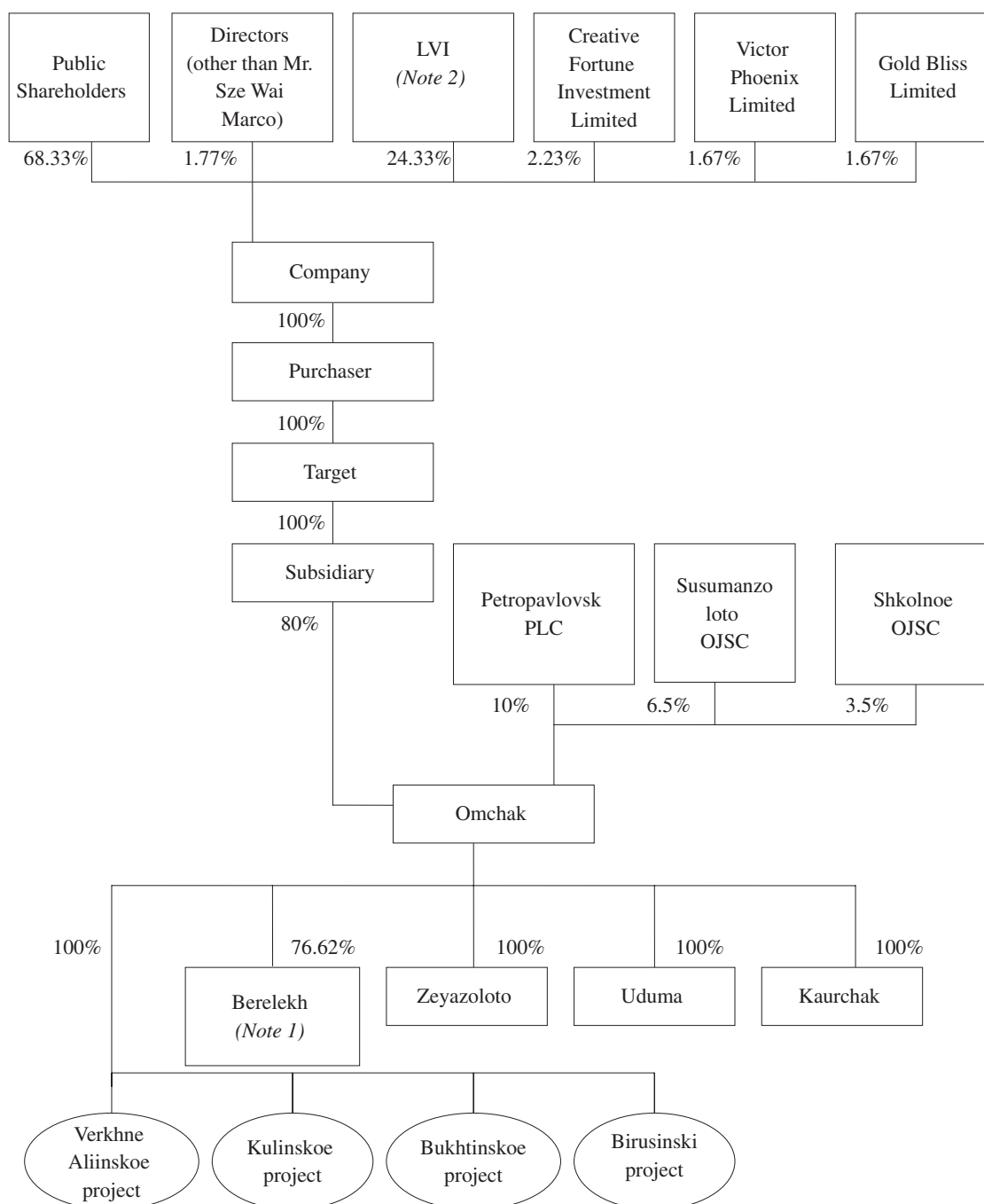
### Before the Acquisition:



*Notes:*

1. Pursuant to the Definitive Agreements, the Subsidiary will acquire the 80% shareholding interest in Omchak.
2. Berelekh owns a majority interest in the following companies: LLC Elita, LLC Monolit, LLC Malidyak and LLC Udarnik-2000.
3. LVI is a company wholly owned by Mr. Sze Wai, Marco, an executive Director and the Chairman of the Company and a substantial Shareholder.

**After the Acquisition (and after completion of the Definitive Agreements and the Spring Vast Agreement):**





*Notes:*

1. Berelekh owns a majority interest in the following companies: LLC Elita, LLC Monolit, LLC Malidyak and LLC Udarnik-2000.
2. LVI is a company wholly owned by Mr. Sze Wai, Marco, an executive Director and the Chairman of the Company and a substantial Shareholder.
3. The shareholding structure of the Company is based on the assumption that (i) the cash portion of the Consideration will be US\$100 million; and (ii) no further Shares will be issued or repurchased prior to Completion.

## **CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY**

The following table illustrates the shareholding structure of the Company,

- (i) as at the date of this announcement;
- (ii) immediately after the allotment and issue of the Consideration Shares assuming no further Shares will be issued or repurchased prior to Completion;
- (iii) immediately after the allotment and issue of the Preferred Shares assuming that (aa) the cash portion of the Consideration amounts to US\$100 million; (bb) no further Shares will be issued or repurchased prior to Completion; and (cc) conversion of the Preferred Shares in full; and

- (iv) immediately after the allotment and issue of the Preferred Shares assuming that (aa) the Consideration will be settled by the Consideration Shares and the Preferred Shares only; (bb) no further Shares will be issued or repurchased prior to Completion; and (cc) conversion of the Preferred Shares in full:

Name of Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares assuming no further Shares will be issued or repurchased prior to Completion		Immediately after the allotment and issue of the Preferred Shares assuming that (aa) the cash portion of the Consideration amounts to US\$100 million; (bb) no further Shares will be issued or repurchased prior to Completion; and (cc) conversion of the Preferred Shares in full (Hypothetical) (Note 3)		Immediately after the allotment and issue of the Preferred Shares assuming that (aa) the Consideration will be settled by the Consideration Shares and the Preferred Shares only; (bb) no further Shares will be issued or repurchased prior to Completion; and (cc) conversion of the Preferred Shares in full (Hypothetical) (Note 3)	
	No. of Shares		No. of Shares		No. of Shares		No. of Shares	
	%		%		%		%	
LVI (Note 1)	474,869,906	25.76	474,869,906	24.33	474,869,906	9.60	474,869,906	7.31
Creative Fortune Investment Limited (Notes 1 and 2)	–	–	43,556,112	2.23	1,241,600,000	25.10	1,862,400,000	28.66
Victor Phoenix Limited (Note 2)	–	–	32,667,083	1.67	931,200,000	18.82	1,396,800,000	21.49
Gold Bliss Limited (Note 2)	–	–	32,667,083	1.67	931,200,000	18.82	1,396,800,000	21.49
<b>The Vendor and parties acting in concert with it (Note 2)</b>	474,869,906	25.76	583,760,184	29.90	3,578,869,906	72.34	5,130,869,906	78.95
<b>Directors</b>								
Song Jing Sheng	34,000,000	1.84	34,000,000	1.74	34,000,000	0.69	34,000,000	0.52
Chong Yiu Kan, Sherman	650,000	0.04	650,000	0.03	650,000	0.01	650,000	0.01
<b>Public Shareholders</b>	1,333,965,016	72.36	1,333,965,016	68.33	1,333,965,016	26.96	1,333,965,016	20.52
<b>Total</b>	<u>1,843,484,922</u>	<u>100.00</u>	<u>1,952,375,200</u>	<u>100.00</u>	<u>4,947,484,922</u>	<u>100.00</u>	<u>6,499,484,922</u>	<u>100.00</u>

*Notes:*

1. LVI and Creative Fortune Investment Limited are wholly owned by Mr. Sze Wai Marco, an executive Director and the Chairman of the Company and a substantial Shareholder.
2. As at the date of this announcement, the Vendor is owned by each of Creative Fortune Investment Limited, Victor Phoenix Limited and Gold Bliss Limited as to 40%, 30% and 30% respectively. The ultimate beneficial owner of Gold Bliss Limited is Mr. Chwoon Ping Lim, who is a third party independent of the Company and the connected persons of the Company and does not have any relationship with Mr. Sze Wai, Marco (other than as ultimate beneficial owners of certain Shares in the Vendor). Further, Mr. Chwoon Ping Lim and Ms. Yu Zhenglan (being the ultimate beneficial owner of each of Golden Grains Holdings Limited and Victor Phoenix Limited) do not have any relationship with each other.
3. The aggregate shareholding of Mr. Sze Wai Marco, LVI, Creative Fortune Investment Limited, Victor Phoenix Limited and Gold Bliss Limited and their respective parties acting in concert with them in the Company will be below 30% of the issued share capital of the Company at Completion, as enlarged by the Consideration Shares and the new Shares to be issued, if any, pursuant to any fund raising exercises for the Acquisition. Please also note that it is one of the conditions for completion of the Acquisition that the settlement of part of the Consideration by issuing Consideration Shares will not trigger any obligations on the part of the Vendor, Creative Fortune Investment Limited, Victor Phoenix Limited and Gold Bliss Limited and their respective parties acting in concert with them to make a general offer under the Takeovers Code.

As indicated in the above table, under the terms and conditions of the Agreement and the terms of the Preferred Shares as described in this announcement, the Acquisition will not trigger the requirement for the making of a general offer under the Takeovers Code on the part of the Vendor, Mr. Sze Wai, Marco and parties acting in concert with any of them.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in provision of ATM services. The management of the Company has always been exploring different strategic options to improve the Group's profitability and financial performance and better position the Company for strong long term growth, so as to enhance shareholders value.

Demand for gold has drastically increased in recent years. Investment flows, dollar-hedging, inflation protection, and central bank buying have played a role in increasing the demand for gold and propelling the spot gold price to new record high, at approximately US\$1,227/ounce on 3 December 2009. It is expected that the global gold market will continue to grow, and these developments will continue to improve the business environment of the gold mining industry.

In light of the above, the Directors are of the view that the Acquisition represents an attractive opportunity to invest in the natural resources sector, and enables the Group to diversify into the gold mining business. The Acquisition is anticipated to enable the Company to generate income and cash flow from investment and trading activities in the natural resources sector.

For the reasons given above, the Directors believe that the Acquisition would enhance the future growth and profitability of the Group. Other than the Target Group, the Directors may further diversify into the natural resources mining business by investing in other gold mines globally, including but not limited to those located in Russia and the People's Republic of China.

Upon Completion, investments in the natural resources sector will become one of the core business segments of the Company, and the Directors expect that the Company will intensify its focus on the natural resources sector going forward. The Company will retain and currently has no intention to divest its existing businesses. As at the date of this announcement, the Company had not entered into any agreement, arrangement or understanding, or conducted any negotiation in relation to the disposal of its existing business.

Taking into account the benefits of the Acquisition, the Directors (excluding the independent non-executive Directors whose view will be rendered upon receiving the advice of the independent financial adviser) are of the view that the terms of the Acquisition are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **NEW BUSINESS FOR THE GROUP**

The Acquisition constitutes an investment in a new business sector to the Group and the Enlarged Group may not be able to control the related operational risks of this new business. A discussion on the risks associated with the new business of the Group will be included in the circular to be despatched to the Shareholders as required under the Listing Rules. The existing Directors do not have management expertise and experience in the business of the Target Group. In this regard, the Enlarged Group will establish a management team to oversee the operations of the Target Group. In addition, the Directors shall review the qualification and capabilities of the existing management of the Target Group and shall re-appoint the existing management of the Target Group or appoint additional expertise as and when necessary to continue with the normal operations of the Target Group. The Directors therefore expect that the Enlarged Group shall have sufficient expertise for the management and operation of the Target Group after Completion.

## **VENDOR'S NOMINEES TO THE BOARD**

Upon Completion, the then holders of the Consideration Shares and Conversion Shares (who are currently expected to be the shareholders of the Vendor) shall have the right to nominate not more than three persons to be appointed as Directors of the Company.

## **IMPLICATION UNDER THE LISTING RULES**

The Vendor is a connected person of the Company by virtue of the fact that it is ultimately and beneficially owned as to 40% by Mr. Sze Wai, Marco, an executive Director and the Chairman of the Company and a substantial Shareholder, holding approximately 25.76% of the issued share capital of the Company as at the date of this announcement. As such, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios

for the Acquisition under Chapter 14 of the Listing Rules are more than 100%, the Acquisition also constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the SGM. In accordance with the Listing Rules, the Vendor and its associates will abstain from voting on the resolution to approve the Acquisition and any vote exercised by the Independent Shareholders at the SGM shall be taken by poll.

The Independent Board Committee will be established to consider the Acquisition and to advise the Independent Shareholders in relation to the terms of the Acquisition and on how to vote. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Acquisition.

## **SGM**

The SGM will be convened at which resolutions will be proposed to seek the approval of the Independent Shareholders by way of a poll for the transactions contemplated under the Agreement, including, amongst other things, the Acquisition, the allotment and issue of the Consideration Shares and the Preferred Shares and the Conversion Shares upon conversion of the Preferred Shares, the creation of the Preferred Shares and alterations of the memorandum of association and bye-laws of the Company for the creation of the Preferred Shares and the adoption of the terms of the Preferred Shares.

## **GENERAL INFORMATION**

A circular containing, among other matters, further details of the Acquisition, a discussion on the risks associated with the new business to be undertaken by the Group, the valuation report on the Target Mines, the technical report on the Target Mines, the property valuation report on the Enlarged Group's properties, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and a notice convening the SGM, will be despatched to the Shareholders in compliance with the Listing Rules.

**There is no assurance that the Acquisition will be proceeded with as planned, or at all. Shareholders and potential investors are advised to exercise extreme caution when dealing in the Shares.**

## **TERMS USED IN THIS ANNOUNCEMENT**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code

“Agreement”	the conditional agreement dated 22 March 2010 and entered into between the Purchaser and the Vendor in respect of the Acquisition
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“business day”	a day (other than Saturdays, Sundays and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	FinTronics Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement, which is subject to the completion of the Definitive Agreements and the Spring Vast Agreement
“Completion Date”	the date of Completion, being the third business day after the fulfillment (or waiver) of the last of the conditions of the Agreement or such other date as the parties to the Agreement shall agree
“connected persons”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration for the Acquisition, being US\$300 million
“Consideration Shares”	new Shares to be allotted and issued by the Company at the Consideration Shares Issue Price for partial settlement of the Consideration (based on the number of Shares in issue as at the date of this announcement and assuming no further Shares will be issued or repurchased by the Company prior to Completion, the maximum number of consideration Shares to be issued would be approximately 108,890,278)
“Consideration Shares Issue Price”	the issue price of HK\$0.50 per Consideration Share as agreed between the Vendor and the Purchaser
“Conversion Shares”	the Shares to be issued upon conversion of the Preferred Shares

“Definitive Agreements”	the three definitive agreements dated 21 December 2009 and entered into between the Subsidiary and each of the shareholders of Omchak respectively regarding the acquisition of an aggregate of 80% shareholding interest in Omchak by the Subsidiary
“Directors”	directors of the Company
“Enlarged Group”	the Group immediately after the Completion which would include the Target Group
“Enterprise Value”	the market capitalisation of a publicly listed company, plus the total debt, total minority interest and total preferred shares of the same company, less total cash and cash equivalents of the same company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	the International Financial Reporting Standards
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than the Vendor, Mr. Sze Wai, Marco and their respective and its associates
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves published in 2004 by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia. It sets out the minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Omchak”	CSJC Gold Mining Company Omchak, a company incorporated in Russia



“Preferred Shares”	new preferred shares to be allotted and issued by the Company at the Preferred Shares Issue Price for the partial settlement of the Consideration (based on the number of Shares in issue as at the date of this announcement and assuming (i) the cash portion of the Consideration to be US\$100 million; and (ii) no further Shares will be issued or repurchased by the Company prior to Completion, the maximum number of the Preferred Shares to be issued pursuant to the Acquisition will be 2,995,109,722)
“Preferred Shares Issue Price”	the issue price of HK\$0.50 per Preferred Share as agreed between the Vendor and the Purchaser
“Purchaser”	Maxing Investment Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company and the purchaser named under the Agreement
“Resources”	Resources which have been estimated in accordance with the recommendations of the JORC Code
“Russian Code”	the Russian Resource Reporting Code
“Russian Companies”	Omchak and its subsidiaries
“Sale Shares”	50,000 ordinary shares of nominal value US\$1.00 each in the issued share capital of the Target, representing the entire issued share capital of the Target
“SFC”	Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the relevant matters referred to in this announcement
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholders’ Loan”	a shareholders’ loan in the amount of US\$41.5 million to be provided by the Vendor to the Target on the date of completion of the Definitive Agreements, and which will be applied to pay for the consideration under the Definitive Agreements. Such shareholders’ loan will be in turn obtained by the Vendor from its shareholders

“Spring Vast Agreement”	the sale and purchase agreement dated 22 March 2010 and entered into, among others, the Vendor and the existing sole shareholder of the Target regarding the acquisition of the Target by the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Gesport Holdings Limited, a company incorporated in Cyprus and a wholly-owned subsidiary of the Target as at the date of this announcement
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC
“Target”	Spring Vast Limited, a company incorporated in BVI, and upon completion of the Spring Vast Agreement, would be wholly and beneficially owned by the Vendor
“Target Group”	together with the Target, the Subsidiary and the Russian Companies
“Target Mines”	the gold mines/deposits located in (i) Magadan, Russia; (ii) Zabaikalye, Russia; (iii) Irkutsk, Russia; (iv) Altai, Russia; (v) Amurskaya, Russia; and (vi) Republic of Sakha (Yakutia), Russia, the mining licences in respect of such mines are currently and will at Completion remain to be held by the Russian Companies
“TEO”	Technical and Economic Justification, a Pre-Feasibility study level mining study accepted by the State Commission of Reserves
“Vendor”	Truffle Rich Holdings Limited, a company incorporated in the BVI and is owned by Creative Fortune Investment Limited, Victor Phoenix Limited and Gold Bliss Limited as to 40%, 30% and 30% respectively and the vendor named under the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RUB”	Ruble, the lawful currency of the Russian Federation
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this announcement, unless otherwise specified,

- (i) conversion of US\$ into Hong Kong dollars is based on the approximate exchange rate of US\$1.00 to HK\$7.76.
- (ii) conversion of Hong Kong dollars into RUB is based on the approximate exchange rate of HK\$1.00 to RUB3.80.

By order of the Board  
**FinTronics Holdings Company Limited**  
**Chan Ying Kay**  
*Company Secretary*

Hong Kong, 22 March 2010

*As at the date of this announcement, the Board comprises Mr. Sze Wai, Marco (Chairman), Mr. Song Jing Sheng and Mr. Tan Shu Jiang as executive Directors and Mr. Wong Po Yan, Mr. Mao Zhenhua and Mr. Chong Yiu Kan, Sherman as independent non-executive Directors.*