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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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2009*

	Note	2009 HK\$'000	2008 HK\$'000
<b>Turnover</b>	3	<b>11,876</b>	13,013
Cost of sales		<u>—</u>	<u>(1,397)</u>
Gross profit		<b>11,876</b>	11,616
Other income	4	<b>8,396</b>	16,524
Administrative expenses		<b>(68,882)</b>	(65,814)
Other operating expenses		<u><b>(3,379)</b></u>	<u>(13,251)</u>
<b>Loss from operations</b>		<b>(51,989)</b>	(50,925)
Fair value gain on derivative component of convertible loan	15	—	18,671
Finance costs	5	<b>(3,595)</b>	(14,901)
Impairment losses on goodwill	11	—	(51,760)
Impairment losses on intangible assets	12	<b>(5,323)</b>	—
Impairment losses on property, plant and equipment		<b>(8,103)</b>	—
Loss on repayment of convertible loan	15	<u><b>(14,788)</b></u>	<u>—</u>
<b>Loss before tax</b>		<b>(83,798)</b>	(98,915)
Income tax credit	6	<u><b>2,042</b></u>	<u>165</u>
<b>Loss for the year</b>	7	<u><b>(81,756)</b></u>	<u>(98,750)</u>
<b>Loss per share</b>			
Basic	9(a)	<u><b>(4.44) cents</b></u>	<u>(5.36) cents</u>
Diluted	9(b)	<u><b>N/A</b></u>	<u>N/A</u>

\* For identification purpose only

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2009*

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
<b>Loss for the year</b>	<u><b>(81,756)</b></u>	<u>(98,750)</u>
<b>Other comprehensive income:</b>		
Changes in fair value of available-for-sale financial assets	<b>213</b>	(213)
Deficit on revaluation of buildings	<b>–</b>	(57)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<u><b>23</b></u>	<u>7,353</u>
<b>Other comprehensive income for the year, net of tax</b>	<u><b>236</b></u>	<u>7,083</u>
<b>Total comprehensive income for the year</b>	<u><u><b>(81,520)</b></u></u>	<u><u>(91,667)</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2009*

	<i>Note</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets			
Investment properties		–	–
Property, plant and equipment		<b>46,277</b>	70,240
Prepaid land lease payments		<b>2,153</b>	2,155
		<b>48,430</b>	72,395
Goodwill	11	–	–
Intangible assets	12	<b>27,442</b>	37,861
Available-for-sale financial assets		–	1,229
Pledged bank deposit		<b>5,000</b>	5,000
		<b>80,872</b>	116,485
<b>Current assets</b>			
Trade and other receivables	13	<b>10,343</b>	6,882
Bank and cash balances		<b>158,894</b>	249,639
		<b>169,237</b>	256,521
<b>Current liabilities</b>			
Trade and other payables	14	<b>8,555</b>	7,039
Derivative component of convertible loan	15	–	1,295
Bank overdraft, secured		<b>4,594</b>	–
Current tax liabilities		<b>490</b>	693
		<b>13,639</b>	9,027
<b>Net current assets</b>		<b>155,598</b>	247,494
<b>Total assets less current liabilities</b>		<b>236,470</b>	363,979
<b>Non-current liabilities</b>			
Convertible loan	15	–	51,345
Deferred tax liabilities		<b>4,653</b>	7,183
		<b>4,653</b>	58,528
<b>Net assets</b>		<b>231,817</b>	305,451
<b>Capital and reserves</b>			
Share capital		<b>184,328</b>	184,128
Reserves		<b>47,489</b>	121,323
<b>Total equity</b>		<b>231,817</b>	305,451

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2009*

### 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 issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”) and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years except as stated below.

#### a. Presentation of Financial Statements

HKAS 1 (Revised) “Presentation of Financial Statements” affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

#### b. Operating Segments

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 “Segment Reporting” required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s ‘system of internal financial reporting to key management personnel’ serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 10 to the financial statements.

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:

	2009 HK\$'000	2008 HK\$'000
Provision of ATM services	11,876	11,603
Sale of integrated circuits and computer software	—	1,410
	<u>11,876</u>	<u>13,013</u>

### 4. OTHER INCOME

	2009 HK\$'000	2008 HK\$'000
Bad debts recovery	371	—
Gain on deregistration of subsidiaries	—	2,037
Gain on disposal of available-for-sale financial assets	—	625
Interest income	3,719	4,735
Net foreign exchange gains	109	6,544
Reversal of impairment losses on other receivables	2,423	—
Reversal of impairment losses on recovery of trade receivables	1,560	2,573
Others	214	10
	<u>8,396</u>	<u>16,524</u>

### 5. FINANCE COSTS

	2009 HK\$'000	2008 HK\$'000
Finance lease charges	—	31
Interest on bank loans and overdraft	5	72
Interest on convertible loan (note 15)	3,590	14,798
	<u>3,595</u>	<u>14,901</u>

## 6. INCOME TAX CREDIT

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
<b>Current tax – PRC Corporate income tax</b>		
Provision for the year	<b>(490)</b>	(684)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u><b>2,532</b></u>	<u>849</u>
	<u><b>2,042</b></u>	<u>165</u>

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2009 and 2008 as the Group did not generate any assessable profits arising in Hong Kong during the years.

The PRC Corporate income tax rate for the subsidiaries in the PRC is 25% (2008: 25%).

## 7. LOSS FOR THE YEAR

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

	<b>2009</b> <b>HK\$'000</b>	2008 <i>HK\$'000</i>
Amortisation of intangible assets (included in administrative expenses)	<b>5,106</b>	5,044
Auditor's remuneration	<b>1,347</b>	1,334
Bad debts recovery	<b>(371)</b>	–
Cost of inventories sold	–	1,397
Depreciation	<b>11,660</b>	11,661
Deficit on revaluation of property, plant and equipment (included in other operating expenses)	–	57
Gain on deregistration of subsidiaries	–	(2,037)
Impairment losses on trade and other receivables (included in other operating expenses)	–	9,754
Loss/(gain) on disposal of available-for-sale financial assets	<b>2,328</b>	(625)
Loss on disposal of property, plant and equipment and prepaid land leases	<b>671</b>	2,520
Net foreign exchange gains	<b>(109)</b>	(6,544)
Operating lease charges in respect of land and buildings and ATM deployment	<b>4,982</b>	5,382
Reversal of impairment losses on other receivables	<b>(2,423)</b>	–
Reversal of impairment losses on recovery of trade receivables	<b>(1,560)</b>	(2,573)
Staff costs including directors' emoluments		
Contributions to defined contribution schemes	<b>980</b>	611
Salaries and other benefits	<b>14,142</b>	16,156
Equity settled share-based payments	<b>7,460</b>	(133)
	<b>22,582</b>	16,634
Written off of property, plant and equipment	<b>339</b>	161
Written off of trade and other receivables	<b>41</b>	759

## 8. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2009 and 2008.

## **9. LOSS PER SHARE**

### **(a) Basic loss per share**

The calculation of basic loss (2008: loss) per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$81,756,000 (2008: HK\$98,750,000) and the weighted average number of ordinary shares of approximately 1,841,737,000 (2008: 1,841,285,000) in issue during the year.

### **(b) Diluted loss per share**

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2009 and 2008.

## **10. SEGMENT INFORMATION**

The Group has two reportable segments as follows:

Automatic teller machines services:                      Provision of “automatic teller machines” services.

Sale of integrated circuits and  
computer software:                      Trading of integrated circuits and computer software.

Management has determined the operating segments based on the reports reviewed by the Group’s Chief Executive Officer (“CEO”) (being the chief operating decision maker) to make strategic decisions about resources allocation and performance assessment.

The Group’s CEO assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation. This measurement basis of segment results excludes the effects of non-recurring expenditures from the operating segments such as gain/(loss) on disposal of available-for-sale financial assets, impairment losses on goodwill, intangible assets and property, plant and equipment, and reversal of impairment losses.

The amounts provided to the Group’s CEO with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

Bank and cash balances held by the Group are not considered to be segment assets but rather are centrally managed by the Chief Finance Officer (“CFO”) in Hong Kong.

The amounts provided to the Group’s CEO with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group’s convertible loan is not considered to be segment liabilities but rather is centrally managed by the CFO in Hong Kong.

Segment non-current assets do not include financial instruments and deferred tax assets.

There were no inter-segment sales for the years ended 2009 and 2008.



(a) Information about reportable segments profit or loss, assets and liabilities

	Automatic teller machines services <i>HK\$'000</i>	Sale of integrated circuits and computer software <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 December 2009</b>			
Revenue from external customers	11,876	–	11,876
Segment loss	(1,068)	–	(1,068)
Interest revenue	3,702	–	3,702
Depreciation and amortisation	(16,042)	–	(16,042)
Other material items of income and expense:			
Income tax credit	1,660	–	1,660
Other material non-cash items:			
Impairment of intangible assets	(5,323)	–	(5,323)
Impairment of property, plant and equipment	(8,103)	–	(8,103)
Additions to segment non-current assets	473	–	473
<b>As at 31 December 2009</b>			
Segment assets	74,223	–	74,223
Segment liabilities	(8,714)	–	(8,714)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Year ended 31 December 2008</b>			
Revenue from external customers	11,603	1,410	13,013
Segment (loss)/profit	(7,642)	5,459	(2,183)
Interest revenue	3,094	212	3,306
Finance costs	–	(90)	(90)
Depreciation and amortisation	(16,000)	(379)	(16,379)
Other material items of income and expense:			
Reversal of impairment losses on recovery of trade receivables	2,573	–	2,573
Income tax credit	148	–	148
Other material non-cash items:			
Impairment of goodwill	(51,760)	–	(51,760)
Other impairment losses	(2,473)	(3,961)	(6,434)
Additions to segment non-current assets	7,738	–	7,738
<b>As at 31 December 2008</b>			
Segment assets	108,148	3,304	111,452
Segment liabilities	(9,178)	(381)	(9,559)
	<u>          </u>	<u>          </u>	<u>          </u>

**(b) Reconciliations of reportable segments revenue, profit or loss, assets and liabilities**

	<b>2009</b> <b>HK\$'000</b>	<b>2008</b> <b>HK\$'000</b>
<b>Revenue</b>		
Total revenue of reportable segments	<b>11,876</b>	13,013
Other revenue	<u>—</u>	<u>—</u>
Consolidated revenue	<b><u>11,876</u></b>	<b><u>13,013</u></b>
<b>Profit or loss</b>		
Total loss of reportable segments	<b>(1,068)</b>	(2,183)
Depreciation and amortisation	<b>(16,768)</b>	(16,708)
Fair value gain on derivative component of convertible loan	—	18,671
Finance costs	<b>(3,595)</b>	(14,901)
Impairment losses on goodwill	—	(51,760)
Impairment losses on intangible assets	<b>(5,323)</b>	—
Impairment losses on property, plant and equipment	<b>(8,103)</b>	—
Interest income	<b>3,719</b>	4,735
(Loss)/gain on disposal of available-for-sale financial assets	<b>(2,328)</b>	625
Loss on repayment of convertible loan	<b>(14,788)</b>	—
Other impairment losses	—	(9,754)
Other unallocated amounts	<b>(39,527)</b>	(30,213)
Reversal of impairment losses on other receivables	<b>2,423</b>	—
Reversal of impairment losses on recovery of trade receivables	<b><u>1,560</u></b>	<u>2,573</u>
Consolidated loss before tax	<b><u>(83,798)</u></b>	<b><u>(98,915)</u></b>
<b>Assets</b>		
Total assets of reportable segments	<b>74,223</b>	111,452
Other unallocated amounts:		
Bank and cash balances	<b>158,894</b>	249,639
Available-for-sale financial assets	—	1,229
Pledged bank deposit	<b>5,000</b>	5,000
Others	<b><u>11,992</u></b>	<u>5,686</u>
Consolidated total assets	<b><u>250,109</u></b>	<b><u>373,006</u></b>
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>(8,714)</b>	(9,559)
Other unallocated amounts:		
Bank overdraft, secured	<b>(4,594)</b>	—
Convertible loan and derivative component of convertible loan	—	(52,640)
Others	<b><u>(4,984)</u></b>	<u>(5,356)</u>
Consolidated total liabilities	<b><u>(18,292)</u></b>	<b><u>(67,555)</u></b>

(c) **Geographical information**

	<b>Revenue</b>		<b>Non-current assets</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	–	1,410	<b>8,776</b>	12,239
PRC except Hong Kong	<u><b>11,876</b></u>	<u>11,603</u>	<u><b>72,096</b></u>	<u>104,246</u>
Consolidated total	<u><b>11,876</b></u>	<u>13,013</u>	<u><b>80,872</b></u>	<u>116,485</u>

In presenting the geographical information, revenue is based on the locations of the customers.

(d) **Revenue from major customers**

	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Automatic teller machines services		
Customer a	<b>6,192</b>	6,059
Customer b	<b>2,119</b>	1,765
Customer c	<b>1,541</b>	1,674
Customer d	<b>1,391</b>	652
Sale of integrated circuits and computer software		
Customer e	<u><b>–</b></u>	<u>1,410</u>

## 11. GOODWILL

HK\$'000

### Cost:

At 1 January 2008	131,495
Exchange adjustments	<u>7,615</u>

At 31 December 2008 and at 1 January 2009	139,110
Exchange adjustments	<u>37</u>

<b>At 31 December 2009</b>	<b><u>139,147</u></b>
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### Accumulated impairment:

At 1 January 2008	82,567
Exchange adjustments	4,783
Impairment losses	<u>51,760</u>

At 31 December 2008 and at 1 January 2009	139,110
Exchange adjustments	<u>37</u>

<b>At 31 December 2009</b>	<b><u>139,147</u></b>
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### Carrying amount:

<b>At 31 December 2009</b>	<b><u><u>-</u></u></b>
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At 31 December 2008	<b><u><u>-</u></u></b>
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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 was wholly allocated to the ATM business segment, a cash-generating unit, for impairment test.

The recoverable amounts of the ATM's cash-generating units were determined from the fair value less costs to sell. The key assumptions for the fair value less costs to sell calculations were those regarding the discount rates, growth rates and budgeted gross margin and turnover during the year. The Group estimated discount rates using pre-tax rates that reflected current market assessments of the time value of money and the risk specific to the ATM's cash-generating units. The growth rates were based on long-term average economic growth rate of the geographical area in which the business of the ATM's cash-generating units was operated. Budgeted gross margin and turnover were based on past practices and expectations on market development.

The Group prepared 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 did not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the Group's provision of the ATM business was 17% in 2008.

The operating performance of the ATM reportable segment was dismal for the year ended 31 December 2008. In the opinion of the directors, it was uncertain that sufficient cash flow would be generated by the ATM's cash-generating units in the foreseeable future to substantiate the carrying amount of the goodwill and, accordingly, a further impairment of approximately HK\$51,760,000 had been made and recognised, resulting in a full impairment of the goodwill as at 31 December 2008.

## 12. INTANGIBLE ASSETS

	<b>Customer contracts HK\$'000</b>
<b>Cost:</b>	
At 1 January 2008	48,254
Exchange adjustments	<u>2,795</u>
At 31 December 2008 and 1 January 2009	51,049
Exchange adjustments	<u>13</u>
<b>At 31 December 2009</b>	<b><u>51,062</u></b>
<b>Accumulated amortisation and impairment:</b>	
At 1 January 2008	7,640
Amortisation for the year	5,044
Exchange adjustments	<u>504</u>
At 31 December 2008 and 1 January 2009	13,188
Amortisation for the year	5,106
Impairment losses	5,323
Exchange adjustments	<u>3</u>
<b>At 31 December 2009</b>	<b><u>23,620</u></b>
<b>Carrying amount:</b>	
<b>At 31 December 2009</b>	<b><u><u>27,442</u></u></b>
At 31 December 2008	<u><u>37,861</u></u>

The Group's intangible assets represent the customer contracts of Loten Technology Co., Limited and Beijing Sun Leader Technology Co., Limited. The average remaining amortisation period of the customer contracts is 7 years (2008: 8 years).

The Group carried out reviews of the recoverable amount of its intangible assets in 2009 and 2008 which formed part of the ATM's cash-generating units, having regard to the market conditions and the business strategy of the Group's ATM business. The customer contracts are included in the Group's ATM reportable segment. As the Group shifted the focus of its business expansion strategy on to strengthening cooperation with their existing customers and carefully reviewed the location selection strategy of ATM deployment, this led to the recognition of an impairment loss of approximately HK\$5,323,000 (2008: Nil) for customer contracts that have been recognised in profit or loss on a pro-rata basis based on the carrying amounts of the ATM's cash-generating units.

The recoverable amount of the ATM's cash-generating units has been determined on the basis of the fair value less costs to sell which uses cash flow projections based on financial budgets approved by the directors covering a five-year period. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the ATM's cash-generating units are operated. The cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate which is the projected long-term average growth rate for the ATM business. Budgeted gross margin and turnover are based on past practices and expectations of the ATM market development. The discount rate used in measuring the fair value less costs to sell is 16% (2008: 17%). The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the ATM's cash-generating units.

### 13. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Trade receivables	(a)	<b>1,292</b>	4,116
Prepayments, deposits and other receivables		<b>9,051</b>	2,766
		<b>10,343</b>	<b>6,882</b>

*Note:*

- (a) The Group's trading terms with all customers are mainly on credit. The credit terms generally range from 30 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. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Current	<b>491</b>	1,096
1 to 3 months	<b>562</b>	425
3 months to 12 months	<b>239</b>	1,808
Over 1 year	<b>–</b>	787
	<b>1,292</b>	<b>4,116</b>

Included in trade and other receivables are the following amounts denominated in a currency other than the presentation currency:

	<b>2009</b> <b>'000</b>	2008 '000
Renminbi	<b>592</b>	55
United States dollars	<u><b>–</b></u>	<u>21</u>

- (b) As at 31 December 2009, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$6,062,000 (2008: HK\$38,023,000).

Reconciliation of allowance for trade receivables is as follows:

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
At 1 January	<b>38,023</b>	36,493
Allowance for the year	<b>–</b>	3,961
Amounts written off	<b>(30,401)</b>	–
Amounts received	<b>(1,560)</b>	(2,573)
Exchange adjustments	<u><b>–</b></u>	<u>142</u>
At 31 December	<u><b>6,062</b></u>	<u>38,023</u>

As at 31 December 2009, trade receivables of approximately HK\$801,000 (2008: HK\$3,020,000) were past due but not impaired. These related to number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Up to 3 months	<b>562</b>	425
3 months to 12 months	<b>239</b>	1,808
Over 1 year	<u><b>–</b></u>	<u>787</u>
	<u><b>801</b></u>	<u>3,020</u>

#### 14. TRADE AND OTHER PAYABLES

	<i>Note</i>	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Trade payables	(a)	<b>333</b>	215
Other payables and accrued expenses		<b>5,797</b>	6,312
Receipts in advance		<b>1,870</b>	–
Amount due to a director	(c)	<u><b>555</b></u>	<u>512</u>
		<u><b>8,555</b></u>	<u>7,039</u>

*Note:*

- (a) Included in trade and other payables are trade payables, based on services rendered, with the following aging analysis as of the balance sheet date:

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
1 to 3 months	<b>310</b>	215
3 months to 12 months	<b>22</b>	–
Over 1 year	<u><b>1</b></u>	<u>–</u>
	<u><b>333</b></u>	<u>215</u>

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

	<b>2009</b> <b>'000</b>	2008 '000
Renminbi	<b>50</b>	356
United States dollars	<u><b>43</b></u>	<u>44</u>

- (c) The amount is unsecured, interest free, and with no fixed terms of repayment.

#### 15. 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.

During the year, the Group early repaid the convertible loan to the holder, resulting in a loss on repayment of convertible loan totalling approximately HK\$14,788,000.

	<b>Liability component HK\$'000</b>	<b>Conversion option derivative HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2008	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
Interest charged ( <i>note 5</i> )	3,590	–	3,590
Interest paid during the year	(5,498)	–	(5,498)
Repayment	(64,225)	(1,295)	(65,520)
Loss on repayment	14,788	–	14,788
<b>At 31 December 2009</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### **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:

	<b>31 December 2009</b>	31 December 2008
Date of valuation		
Share price (HK\$)	–	0.086
Conversion price (HK\$)	–	0.26
Volatility	–	80.7%
Maturity period	–	3 years
Conversion period	–	1-3 years
Risk free rate of interest	–	0.59%

The interest charged for the year is calculated by applying an effective interest rate of 40 per cent to the liability component up to the repayment date (2008: 12 months).

At 31 December 2008, the directors estimated the fair value of the liability component of the convertible loan to be approximately HK\$69,175,000. This fair value had been calculated by discounting the future cash flows at the market rate.

## **16. EVENTS AFTER THE REPORTING PERIOD**

- (a) On 27 October 2009, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of its land and buildings situated in Hong Kong for a cash consideration of HK\$6,300,000. This transaction was completed on 9 February 2010 and resulted in a gain on disposal before tax of approximately HK\$3,529,000.
- (b) On 24 June 2009, 21 October 2009 and 19 January 2010, the Company and the placing agent, Shenying Wanguo Securities (H.K.) Limited, entered into a placing agreement and supplemental agreements in relation to the proposed placing of convertible bonds with unlisted warrants ("Placing Agreement"). Pursuant to the Placing Agreement and the supplemental agreements, the Company will issue the zero coupon convertible redeemable bonds ("Convertible Bonds") up to an aggregate principal amount of HK\$75,712,200. Based on the conversion price of HK\$0.257 per conversion share, a maximum number of 294,600,000 conversion shares (with an aggregate nominal value of HK\$29,460,000) will fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full. The first registered holder of each HK\$1.028 Convertible Bonds will also be issued one unlisted detachable warrant ("Warrants"). Assuming the maximum amount of HK\$75,712,200 Convertible Bonds are placed, Warrants to subscribe for shares of up to HK\$22,095,000 will fall to be issued and up to 73,650,000 new shares of the Company will be issued by the Company upon the exercise of the subscription rights attaching to the Warrants in full at the subscription price of HK\$0.30 per share. The placing agent shall, on a best effort basis during the period from the date of the Placing Agreement (i.e. 24 June 2009) to the completion of the placing (which periods have been extended to 22 January 2010 and 22 April 2010 by the supplemental agreements dated 21 October 2009 and 19 January 2010 respectively, or such other date as the Company and the placing agent may agree in writing). Further details of Convertible Bonds with unlisted warrants are set out in the announcements of the Company dated 24 June 2009, 21 October 2009 and 19 January 2010. Up to the date of this report, no Convertible Bonds and Warrants have yet been allotted and issued.
- (c) On 22 March 2010, a new wholly-owned subsidiary of the Company, Maxing Investment Limited (the "Purchaser"), a company incorporated in the BVI and Truffle Rich Holdings Limited (the "Vendor"), also a company incorporated in the BVI, entered into a conditional sale and purchase agreement in relation to a proposed acquisition of the entire issued share capital of a target company, Spring Vast Limited and its subsidiaries.

Pursuant to the agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the shares at a consideration of US\$300 million for the acquisition and sales of a business engaged in geological exploration and commercial mining of placer gold deposits and hard rock gold deposits, with eight gold mining and exploration projects in Russia. These 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.

According to the terms of the agreement, the consideration shall be settled by cash, the issue and allotment of consideration shares and preferred shares of the Company.

Further details of the proposed acquisition are set out in the announcement of the Company dated 22 March 2010.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Keen competition in the ATM service market has brought challenges to the Group. To raise competitiveness of its ATM business, the Group improved the management quality of operating ATM projects, reviewed its ATM deployment strategy and reinforced related support systems and maintenance service capabilities. During the year under review, a series of business consolidation initiatives gradually achieve some improved performance for its efforts during the year.

Regarding business development, the Group maintained close relations and regular communication with potential customers during the year for nurturing possible subsequent cooperation that agrees with its plan to roll out more ATM projects at the right time.

During the year under review, sale of integrated circuits and computer software business continued to face increasing competitive pressure which severely squeezed its gross profit margin. The Group thus decided to exit the segment.

### **PROSPECTS**

Aware of the potential threat from the formation of the asset bubble in the country, banks in China have tightened lending, which has indirectly affected consumer spending. With people concerned about the asset bubble and feeling inflationary pressure, the consumption market in 2010 may become weak. In addition, although the country managed an above 8% GDP growth meeting the year's target, it is below the double-digit growth achieved in the few prior years. This suggests that the outlook of the Chinese economy is not totally clear and bright.

With the economic environment still uncertain and the ATM market becoming increasingly competitive, the Group has a tough path to walk in taking its business forward. Heeding that, the Group will continue its proven business consolidation strategy so as to counter competition in the market. At the same time, the Group will maintain its stringent ATM deployment strategy and steer business development with prudence and pragmatism.

To expand its income sources, the Group will continue to innovate in developing the operation mode of its ATM business. It has reached consensus with many banks and China Unionpay organisations on cooperation to develop more high value adding ATM services, including utility bill payment, mobile phone top-up, dispensing of lottery wins and advertising, etc.

On 22 March, 2010, through FinTronics' wholly owned subsidiary, the Group has entered into a conditional Sale and Purchase Agreement with Truffle Rich Holdings Limited ("Truffle Rich") whereby it will acquire the investment holding company that owns 80% interest in CSJC Gold Mining Company Omchak ("Omchak") for an aggregate consideration of US\$300 million. Omchak and its subsidiaries are engaged in the business of geological exploration and commercial mining of placer gold deposits and hard rock gold deposits located in Russia.

Currently, Omchak owns eight gold mining and exploration projects located in eastern Russia. These projects include three producing alluvial gold mining operations, a proposed underground gold mine which is at a feasibility study stage, and four gold exploration projects.

Skyrocketing demand for gold has propelled the price of gold bullion to record heights last year. The Group's management is positive about the long term prospects in the gold market and this acquisition positions FinTronics to participate in the booming natural resources sector. Looking forward, the Group will push forward with developing its business and actively look for opportunities that can enable its business to grow in stronger strides.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2009, the Group had cash and bank balances of HK\$159.3 million (2008: HK\$254.6 million) of which HK\$5 million (2008: HK\$5 million) were pledged to a bank for facilities granted to the Group.

The Group had loans and overdraft amounting HK\$4.6 million (2008: HK\$52.6 million) as at 31 December 2009. As at 31 December 2009, the total assets value of the Group was HK\$250.1 million (2008: HK\$373 million) whereas the total liabilities was HK\$18.3 million (2008: HK\$67.6 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 7.3% (2008: 18.1%).

As at 31 December 2009, the Group had available aggregate banking facilities of HK\$5 million (2008: HK\$5 million) of which HK\$0.4 million (2008: HK\$5 million) has not been utilised. Assets charged as security for banking facilities included bank deposits totalling HK\$5 million (2008: HK\$5 million) as at 31 December 2009.

The Group maintained a net cash (being the total cash and bank balances net of total borrowings) to equity ratio of 68.7% (2008: net cash to equity ratio of 66.1%) as at 31 December 2009. With net cash of HK\$159.3 million (2008: net cash of HK\$202 million) as at 31 December 2009, 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.

## **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 2009, the Group had approximately 67 (2008: 58) employees of which approximately 9 (2008: 10) were technicians and engineers. Employees' costs (including directors' emoluments) amounted to approximately HK\$22.6 million (2008: HK\$16.6 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 2009, 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 emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange throughout the year ended 31 December 2009, except for certain deviations specified with considered reasons as explained below:

1. The roles of chairman and chief executive officer (“CEO”) 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 CEO of the Company on 2 February 2009, Mr. Sze has also assumed management responsibility generally undertaken by a CEO. 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 this 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.

## **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 financial statements, interim 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 2009 with the Directors.

## **MODEL CODE FOR 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 year ended 31 December 2009.

By order of the board of directors of  
**FinTronics Holdings Company Limited**  
**Sze Wai, Marco**  
*Chairman*

Hong Kong, 30 March 2010

*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.*