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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 2011

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Turnover	*3*	**13,519**	12,028
Other income and gains	*4*	**4,781**	6,829
Administrative expenses		**(56,977)**	(76,043)
Other operating expenses		**(2,470)**	(1,339)
Loss from operations		**(41,147)**	(58,525)
Finance costs	*5*	**(182)**	(1,172)
Impairment losses on intangible assets	*11*	**(4,921)**	(3,266)
Impairment losses on property, plant and equipment		**(1,964)**	(6,411)
Loss on repayment of convertible bonds	*15*	**–**	(923)
Loss before tax		**(48,214)**	(70,297)
Income tax credit	*6*	**1,406**	1,306
Loss for the year	*7*	**(46,808)**	(68,991)
Loss per share			
Basic	*9(a)*	**(2.19) cents**	(3.45) cents
Diluted	*9(b)*	**(2.19) cents**	(3.45) cents

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(46,808)**	(68,991)
Other comprehensive income, net of tax		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**11,486**	6,379
Total comprehensive loss for the year	**(35,322)**	(62,612)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**24,402**	30,302
Intangible assets	*11*	**13,364**	20,935
Pledged bank deposit		**5,000**	5,000
		42,766	56,237
Current assets			
Trade and other receivables	*12*	**31,797**	50,824
Bank and cash balances		**148,262**	151,081
		180,059	201,905
Current liabilities			
Trade and other payables	*13*	**6,189**	8,809
Finance lease payables	*14*	**818**	–
		7,007	8,809
Net current assets		**173,052**	193,096
Total assets less current liabilities		**215,818**	249,333
Non-current liabilities			
Finance lease payables	*14*	**3,231**	–
Deferred tax liabilities		**1,900**	3,324
		5,131	3,324
Net assets		**210,687**	246,009
Capital and reserves			
Share capital		**213,808**	213,808
Reserves		**(3,121)**	32,201
Total equity		**210,687**	246,009

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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.

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 HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. 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.

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:

	2011	2010
	HK$'000	*HK$'000*
Provision of ATM services	**13,519**	12,028

4. OTHER INCOME AND GAINS

	2011	2010
	HK$'000	*HK$'000*
Fair value gain on derivative component of convertible bonds	**–**	435
Gain on deregistration of a subsidiary	**–**	41
Gain on disposal of property and prepaid land lease payments	**–**	3,242
Interest income	**4,755**	2,213
Net foreign exchange gains	**–**	842
Others	**26**	56
	4,781	6,829

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Finance lease charges	**159**	–
Interest expenses on bank overdrafts	**23**	–
Interest expenses on convertible bonds *(note 15)*	**–**	1,172
	182	1,172

6. INCOME TAX CREDIT

	2011	2010
	HK$'000	*HK$'000*
Current tax – PRC Corporate income tax		
Provision for the year	**–**	(13)
Deferred tax		
Origination and reversal of temporary differences	**1,406**	1,319
	1,406	1,306

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2011 and 2010 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% (2010: 25%).

7. LOSS FOR THE YEAR

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

	2011	2010
	HK$'000	*HK$'000*
Amortisation of intangible assets	**3,598**	3,973
Auditor's remuneration	**1,196**	1,081
Depreciation	**12,270**	11,465
Gain on deregistration of a subsidiary	**–**	(41)
Gain on disposal of property, plant and equipment and prepaid land leases payments	**–**	(3,242)
Net foreign exchange losses/(gains)	**450**	(842)
Operating lease charges in respect of land and buildings and ATM deployment	**4,890**	5,275
Impairment losses on other receivables	**1,843**	123
Staff costs including directors' emoluments		
Salaries and other benefits	**15,478**	15,271
Retirement benefits schemes contributions	**659**	751
	16,137	16,022
Written off of property, plant and equipment	**177**	1,216

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2011 and 2010.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss (2010: 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$46,808,000 (2010: HK$68,991,000) and the weighted average number of ordinary shares of approximately 2,138,085,000 (2010: 2,002,470,000) 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 2011 and 2010.

10. SEGMENT INFORMATION

The Group operates one operating segment, which is provision of "automatic teller machines" services. No separate segment information is prepared according to HKFRS 8 "operating segments".

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements.

All operating assets and operations of the Group during the years ended 31 December 2011 and 2010 were substantially located and carried out in the PRC.

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 segment 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 segment such as loss on disposal of property, plant and equipment and loss on written off of property, plant and equipment.

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.

(a) Geographical information

	Revenue		**Non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**11,797**	7,495
PRC except Hong Kong	**13,519**	12,028	**30,969**	48,742
	13,519	12,028	**42,766**	56,237

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

(b) Revenue from major customers

	2011	2010
	HK$'000	*HK$'000*
ATM services		
Customer a	**5,427**	5,573
Customer b	**4,501**	3,412
Customer c	**1,877**	1,557
Customer d	**1,301**	1,430

11. INTANGIBLE ASSETS

	Customer contracts *HK$'000*
Cost:	
At 1 January 2010	51,062
Exchange adjustments	1,602
At 31 December 2010 and 1 January 2011	52,664
Exchange adjustments	2,866
At 31 December 2011	**55,530**
Accumulated amortisation and impairment:	
At 1 January 2010	23,620
Amortisation for the year	3,973
Impairment losses	3,266
Exchange adjustments	870
At 31 December 2010 and 1 January 2011	31,729
Amortisation for the year	3,598
Impairment losses	4,921
Exchange adjustments	1,918
At 31 December 2011	**42,166**
Carrying amount:	
At 31 December 2011	**13,364**
At 31 December 2010	20,935

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 5 years (2010: 6 years).

The Group carried out reviews of the recoverable amount of its intangible assets in 2011 and 2010 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$4,921,000 (2010: HK$3,266,000) for customer contracts that have been recognised in profit or loss.

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 expected inflation 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 2.5% per annum growth rate which is the expected inflation 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 15% (2010: 15%). 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.

12. TRADE AND OTHER RECEIVABLES

	Note	**2011** *HK$'000*	2010 *HK$'000*
Trade receivables	*(a)*	**1,845**	1,694
Prepayments, deposits and other receivables		**29,952**	49,130
		31,797	50,824

Note:

(a) The Group's trading terms with all customers are mainly on credit. The credit terms generally 90 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. 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:

	2011 *HK$'000*	2010 *HK$'000*
Current	**797**	650
1 to 3 months	**568**	377
3 months to 12 months	**466**	627
Over 1 year	**14**	40
	1,845	1,694

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

	2011 *'000*	2010 *'000*
Renminbi	**3,085**	2,654

(b) As at 31 December 2011, no allowance was made for estimated irrecoverable trade receivables (2010: Nil).

Reconciliation of allowance for trade receivables is as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**–**	6,062
Amounts written off	**–**	(6,062)
At 31 December	**–**	–

As at 31 December 2011, trade receivables of approximately HK$480,000 (2010: HK$667,000) 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:

	2011	2010
	HK$'000	*HK$'000*
3 months to 12 months	**466**	627
Over 1 year	**14**	40
	480	667

13. TRADE AND OTHER PAYABLES

		2011	2010
	Note	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**1,136**	443
Other payables and accrued expenses		**5,052**	7,750
Receipts in advance		**–**	303
Amount due to a director	*(c)*	**1**	313
		6,189	8,809

Note:

(a) The aging analysis of trade payables based on services rendered is as follows:

	2011	2010
	HK$'000	*HK$'000*
1 to 3 months	**669**	282
3 months to 12 months	**444**	160
Over 1 year	**23**	1
	1,136	443

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

	2011	2010
	'000	*'000*
Renminbi	**3,422**	2,792
United States dollars	**–**	118

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

14. FINANCE LEASE PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,046**	–	**818**	–
In the second to fifth years, inclusive	**3,575**	–	**3,231**	–
	4,621	–	**4,049**	–
Less: Future finance charges	**(572)**	–	**–**	–
Present value of lease obligations	**4,049**	–	**4,049**	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(818)**	–
Amount due for settlement after 12 months			**3,231**	–

It is the Group's policy to lease its motor vehicle under finance leases. The lease term is 5 years. At 31 December 2011, the effective borrowing rate was 6.26% (2010: Nil). Interest rate was fixed at the contract date and thus expose the Group to fair value interest rate risk. The lease is on fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicle at nominal prices.

All finance lease payables are denominated in Hong Kong dollars.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

15. CONVERTIBLE BONDS

On 27 April 2010, the issue and placing of the convertible bonds with unlisted of warrants had been successfully completed. On 18 June 2010, all the bondholders exercised the conversion right and converted all the convertible bonds at its par value of approximately HK$75.7 million into 294,600,000 new ordinary shares of HK$0.10 each in the share capital of the Company at a conversion price of HK$0.257 per conversion share. The net proceeds of approximately HK$74.6 million in aggregate after expenses and commissions, will be used for the Group's general working capital requirements and for future new investments. Up to the date of this report, there is no exercise of the subscription rights attaching to the warrants at the subscription price of HK$0.30 per share. Further details of the completion and conversion of the convertible bonds are set out in the announcements of the Company dated 27 April 2010 and 18 June 2010.

	Note	**Derivative assets**	**Derivative liabilities**	**Equity component**	**Liability component**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 27 April 2010		(7,220)	6,732	17,464	58,736	75,712
Issue cost	*(a)*	–	–	(143)	(479)	(622)
Interest charged	*(b)*	–	–	–	1,172	1,172
Fair value (gain)/loss for the period	*(c)*	(6,883)	6,448			(435)
Conversion		13,180	(13,180)	(17,321)	(59,429)	(76,750)
Loss on conversion		923	–	–	–	923
At 31 December 2010 and 2011		–	–	–	–	–

Notes:

(a) Issue cost related to the issuance of the convertible bonds was allocated to equity and liability components in proportion to allocation of proceeds.

(b) The interest charged is calculated by applying an effective interest rate of 14.24 per cent to the liability component from the issuance date to the conversion date (total 52 days).

(c) Fair value (gain)/loss on derivative component, equal to the difference between the fair value on the conversion date and the issuance date, has been recognised in the consolidated income statement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the financial year of 2011, FinTronics has collaborated closely with its clients, highlighted by the implementation of bank card IC chips for transfer transactions and an upgrade of software and hardware to meet the requirements of ATMs for postal savings banks. In light of the increasing incidence of technology crime, the Group has strengthened the surveillance and security equipment of ATMs to safeguard the transactions and interest of users.

Facing the rising ATM operating costs resulting from persistently inflation in China, the Group has carefully selected ATM deployment locations while also reaping benefits from effective business consolidation measures. Thus the Group has recorded an increase in turnover.

As at 31 December 2011, the ATM network operated by the Group mainly covered cities including Shenyang, Shenzhen, Jinan, Qingdao, Yantai, Linyi, Weihai, Changsha and Nantong. As for business development, we have maintained close communications with potential clients during the year and are preparing to implement new ATM business projects with them at the appropriate time. In this way we have consolidated the Group's market share in the sector.

The Group has continued to implement strict financial and credit control policies as well as comprehensive cost control measures to minimise our financial risk and ensure the stability of our financial position.

Prospects

Affected by the external environment and increased competition in the industry, the Group will adopt a prudent and pragmatic approach to push forward its business development in 2012. The Group will continue to extend its network coverage in the regions with promising growth potential such as first and second-tier cities including Shenzhen, Shenyang and cities in Shandong province. Moreover, we will continue negotiating with banks to re-arrange the deployment location of standalone ATMs to boost the transaction volume, thus increasing cost effectiveness and transaction revenue.

At the same time, the Group will continue to work closely with clients for development of a long-term strategic partnership through collaboration in ATM operations and exploring more business opportunities by capitalising on each other's strengths.

To maintain a stable development, the Group will closely monitor market conditions and promptly adjust its business strategy to ensure sustainable development of its ATM business. Backed by strong financial resources, the Group intends to seek more favourable development opportunities with the aim to create satisfactory returns for its shareholders.

Liquidity and Financial Resources

As at 31 December 2011, the Group had cash and bank balances of HK$153.3 million (2010: HK$156.1 million) of which HK$5 million (2010: HK$5 million) were pledged to a bank for facilities granted to the Group.

The Group had no bank and other borrowings but finance lease liabilities of HK$4.0 million as at 31 December 2011 (2010: Nil). As at 31 December 2011, the total assets value of the Group was HK$222.8 million (2010: HK$258.1 million) whereas the total liabilities was HK$12.1 million (2010: HK$12.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 5.4% (2010: 4.7%).

As at 31 December 2011, the Group had available aggregate banking facilities of HK$5 million (2010: HK$5 million) of which HK$5 million (2010: HK$5 million) has not been utilised. Assets charged as security for banking facilities included bank deposits totalling HK$5 million (2010: HK$5 million) as at 31 December 2011.

The Group maintained a net cash (being the total cash and bank balances net of total borrowings) to equity ratio of 72.8% (2010: net cash to equity ratio of 63.5%) as at 31 December 2011. With net cash of HK$153.3 million (2010: net cash of HK$156.1 million) as at 31 December 2011, 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 2011, the Group had approximately 45 (2010: 45) employees of which approximately 9 (2010: 9) were technicians and engineers. Employees' costs (including directors' emoluments) amounted to approximately HK$16 million (2010: HK$16 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 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 and employees to their contribution to the Group.

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

During the year ended 31 December 2011, 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 of Hong Kong Limited throughout the year ended 31 December 2011, except for certain deviations specified with considerated reasons as explained below:

1. The positions of the Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by Mr. Sze Wai, Marco. Although Code Provision A.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual, the Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group. 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), 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, was unable to attend the Company's annual general meeting which was held on 28 June 2011 as he had an overseas engagement that was important to the Company's business. 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 an 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 2011 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 compiled with the Model Code throughout the year ended 31 December 2011.

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

Hong Kong, 29 March 2012

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.