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FinTronics

銀創控股

FINTRONICS HOLDINGS COMPANY LIMITED

銀創控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 706)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the “Board”) of FinTronics Holdings Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	3	6,270	6,235
Cost of sales		—	—
Gross profit		6,270	6,235
Other income	4	2,532	2,215
Administrative expenses		(30,769)	(29,182)
Other operating expenses		—	(106)
Loss from operations		(21,967)	(20,838)
Finance costs	5	(136)	(24)
Loss before income tax		(22,103)	(20,862)
Income tax credit	6	219	293
Loss for the period	7	(21,884)	(20,569)
Loss per share	9		
Basic (cents)		(0.102)	(0.96)
Diluted (cents)		(0.102)	(0.96)

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(21,884)	(20,569)
Other comprehensive (loss)/income for the period, net of tax		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<u>(1,863)</u>	<u>6,217</u>
Total comprehensive loss for the period	<u>(23,747)</u>	<u>(14,352)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		18,563	24,402
Intangible assets		11,905	13,364
Pledged bank deposit		<u>5,000</u>	<u>5,000</u>
		<u>35,468</u>	<u>42,766</u>
Current assets			
Trade and other receivables	10	34,251	31,797
Bank and cash balances		<u>128,163</u>	<u>148,262</u>
		<u>162,414</u>	<u>180,059</u>
Current liabilities			
Trade and other payables	11	5,614	6,189
Finance lease payables		<u>847</u>	<u>818</u>
		<u>6,461</u>	<u>7,007</u>
Net current assets		<u>155,953</u>	<u>173,052</u>
Total assets less current liabilities		<u>191,421</u>	<u>215,818</u>
Non-current liabilities			
Finance Lease payables		2,800	3,231
Deferred tax liabilities		<u>1,681</u>	<u>1,900</u>
		<u>4,481</u>	<u>5,131</u>
NET ASSETS		<u>186,940</u>	<u>210,687</u>
Capital and reserves			
Share capital	12	213,808	213,808
Reserves		<u>(26,868)</u>	<u>(3,121)</u>
TOTAL EQUITY		<u>186,940</u>	<u>210,687</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	(Unaudited)					
	Attributable to owners of the Company					
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2011	213,808	489,081	28,907	7,578	(493,365)	246,009
Other comprehensive income for the period	-	-	6,217	-	-	6,217
Loss for the period	-	-	-	-	(20,569)	(20,569)
At 30 June 2011	<u>213,808</u>	<u>489,081</u>	<u>35,124</u>	<u>7,578</u>	<u>(513,934)</u>	<u>231,657</u>
At 1 January 2012	213,808	489,081	40,393	7,578	(540,173)	210,687
Other comprehensive loss for the period	-	-	(1,863)	-	-	(1,863)
Loss for the period	-	-	-	-	(21,884)	(21,884)
At 30 June 2012	<u>213,808</u>	<u>489,081</u>	<u>38,530</u>	<u>7,578</u>	<u>(562,057)</u>	<u>186,940</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(19,822)	14,499
Net cash generated from/(used in) investing activities	1,577	(4,995)
Net cash (used in)/generated from financing activities	<u>(538)</u>	<u>4,413</u>
Net (decrease)/increase in cash and cash equivalents	(18,783)	13,917
Effect of foreign exchange rate changes	(1,316)	5,639
Cash and cash equivalents at 1 January	<u>148,262</u>	<u>151,081</u>
Cash and cash equivalents at 30 June	<u><u>128,163</u></u>	<u><u>170,637</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 ACCOUNTING POLICIES

The Interim Financial Statements have been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2011 annual financial statements, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2012. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group.

3 SEGMENT INFORMATION

The Group operates one business segment, which is the provision of “automatic teller machines” services. No separate segment information is prepared according to HKFRS 8 “Operating Segments”.

All operating assets and operations of the Group during the periods ended 30 June 2012 and 2011 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 gain 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.

4 OTHER INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	<u>2,532</u>	<u>2,215</u>

5 FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance lease charges	121	24
Interest expenses on bank overdrafts	<u>15</u>	<u>–</u>
	<u>136</u>	<u>24</u>

6 INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2011: Nil).

The PRC Corporate income tax rate for the subsidiaries in the PRC is 25% (2011: 25%).

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – PRC Corporate income tax		
Tax for the period	–	–
Deferred taxation		
Origination and reversal of temporary differences	<u>219</u>	<u>293</u>
	<u>219</u>	<u>293</u>

7 LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Amortisation of intangible assets	1,329	1,778
Depreciation:		
– Owned assets	5,803	5,829
– Leased asset	574	150
Net foreign exchange losses	–	98
Staff costs including directors' emoluments	6,885	6,682
Write-off of property, plant and equipment (included in other operating expenses)	–	80
	<u> </u>	<u> </u>

8 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share for the six months ended 30 June 2012 is based on the loss for the period attributable to owners of the Company of approximately HK\$21,884,000 (six months ended 30 June 2011: loss of HK\$20,569,000) and the weighted average number of ordinary shares of approximately 2,138,085,000 (six months ended 30 June 2011: 2,138,085,000) in issue during the period.

(b) Diluted

Diluted loss per share for the period ended 30 June 2012 did not assume the exercise of outstanding share options as the exercise prices of the share options of the Company are higher than the average market price per share for the period ended 30 June 2012.

Diluted loss per share for the period ended 30 June 2011 did not assume the exercise of outstanding share options since their exercise would have an anti-diluted effect.

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Current	1,145	797
1 to 3 months overdue	383	568
3 months to 12 months	1,104	466
Over 1 year	14	14
	<hr/>	<hr/>
Total trade receivables	2,646	1,845
Prepayments, deposits and other receivables	31,605	29,952
	<hr/>	<hr/>
Total trade and other receivables	<u>34,251</u>	<u>31,797</u>

The Group's trading terms with all customers are mainly on credit. The credit period is 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.

11 TRADE AND OTHER PAYABLES

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

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Due within 3 months or on demand	189	669
Overdue 3 months to 1 year	999	444
Overdue 1 year	24	23
	<hr/>	<hr/>
Total trade payables	1,212	1,136
Other payables and accrued expenses	4,401	5,052
Amount due to a director	1	1
	<hr/>	<hr/>
Total trade and other payables	<u>5,614</u>	<u>6,189</u>

Note:

(a) As at 30 June 2012, the amount was interest free, unsecured and had no fixed terms of repayment.

12 SHARE CAPITAL

	At 30 June 2012 (Unaudited)		At 31 December 2011 (Audited)	
	No. of shares 000	Amount HK\$'000	No. of shares 000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>3,000,000</u>	<u>300,000</u>	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	<u>2,138,085</u>	<u>213,808</u>	<u>2,138,085</u>	<u>213,808</u>

BUSINESS REVIEW

In the first half of 2012, a number of uncertainties loomed large in the global and PRC economy environment. This unfavourable backdrop compounded by intensified competition in the industry, has slowed down the growth rate, making the operational environment in the ATM market more difficult. Despite this challenging environment, the Group has adhered to two business strategies during the period under review, namely i) strengthening current partnerships and ii) optimising its business to increase revenue. These strategies have enabled it to record stable business development and maintain its market share and competitiveness in China's ATM market.

During the period under review, FinTronics has collaborated closely with its clients, highlighted by the assistance in an upgrade of software and hardware of bank IC card readers within ATM for Postal Savings Bank and Bank of Communications. The impetus for this was the suggestions for bank IC cards launched by The People's Bank of China. The software and hardware upgrade will be rolled out across the whole country after being successfully tested. The Group will continue to enhance the surveillance and security equipment of ATMs to lower technology crime, safeguard the interests of users and endeavor to offer better ATM business projects based on the actual needs of each cooperative bank.

To increase transaction revenue and enhance cost effectiveness, we are negotiating with partners to re-arrange the location of particular standalone ATMs which have a low transaction volume so as to boost the transaction volume. As of 30 June 2012, the ATM network operated by FinTronics covered first and second-tier cities including Shenyang, Shenzhen, Jinan, Qingdao, Yantai, Linyi, Weihai, Changsha and Nantong.

As for business expansion, we have actively maintained close collaboration and communication with more potential clients during the period, which best prepares us for implementing more ATM business projects.

Capitalising on strict financial management and credit control policies as well as successful business consolidation measures, the Group will continue to maintain a healthy financial position and to minimise financial risk.

PROSPECTS

In recent years, many ATM operators have slowed down their paces in business expansion as the coverage of ATMs managed directly by the banks has become the main trend. The Group believes the competition in ATM business sector will become more intense. However, the Central Government has implemented policies to support high-tech manufacturing and services outsourcing businesses, presenting more opportunities for the development of the ATM industry.

Facing both opportunities and challenges, the Group will continue to strictly adhere to its carefully selected locations strategy and adopt a prudent approach to promote business development. The deployment of standalone ATMs has become a more mature business segment in Mainland China. As an independent ATM operating organisation, FinTronics possesses competitive advantages within this segment. We intend to continue our efforts to identify potential business expansion projects.

Building a foundation to expand its current business, the Group has nurtured close partnerships with local commercial banks and provided them with ATM cooperative operation services that address their actual needs for the mutual benefits of the Group and the banks by capitalising on their respective strengths.

Looking ahead to the second half of the year, amidst the unstable external environment and the sluggish economy, the Group will closely monitor the market condition, and adjust its business strategies as needed while actively controlling operating costs to ensure the sustained growth of its ATM business. Enjoying a healthy financial position and abundant capital on hand, the Group will strive to capture better investment opportunities and explore new potentially lucrative opportunities in other industries, aiming to generate long term returns for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had cash and bank balances of HK\$133.2 million (31 December 2011: HK\$153.3 million), of which HK\$5 million (31 December 2011: HK\$5 million) were pledged to banks for facilities granted to the Group.

The Group had no bank and other borrowings but finance lease payables of HK\$3.6 million as at 30 June 2012 (31 December 2011: HK\$4.0 million). As at 30 June 2012, the total asset value of the Group was HK\$197.9 million (31 December 2011: HK\$222.8 million) whereas the total liabilities was HK\$10.9 million (31 December 2011: HK\$12.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 5.5% (31 December 2011: 5.4%).

As at 30 June 2012, the Group had available aggregate banking facilities of HK\$5 million (31 December 2011: HK\$5 million) of which HK\$5 million (31 December 2011: HK\$5 million) has not been utilised.

The Group maintained a net cash (being the total cash and bank balances net of total bank borrowings) to equity ratio of 71.2% (31 December 2011: 72.8%) as at 30 June 2012. With net cash of HK\$133.2 million (31 December 2011: HK\$153.3 million) as at 30 June 2012, the Group's liquidity position is healthy and the directors of the Company ("Directors") believe that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

CONTINGENT LIABILITIES

There were no significant contingent liabilities as at both 30 June 2012 and 31 December 2011.

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2012, the Group had approximately 46 (31 December 2011: 45) employees. Employees' costs (including directors' emoluments) amounted to approximately HK\$6,885,000 (six months ended 30 June 2011: HK\$6,682,000) for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

The Directors believe that experienced staff, in particular its technicians, are the most valuable assets of the Group. Training programs are provided to technicians, especially new recruits, to ensure their technical proficiency.

The Company operates a share option scheme (the "Scheme") whereby the Board may at their absolute discretion, grant options to employees and Directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme. During the period, 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 six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30 June 2012, except for the deviations as mentioned 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 and the non-executive directors should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai and two Independent Non-executive Directors, Mr. Wang Po Yan and Mr. Mao Zhenhua, were unable to attend the Company’s annual general meeting which was held on 28 June 2012 as they were on other business engagements.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules, as the Code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 June 2012.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, and to provide advice and comments thereon to the Board. The audit committee comprises three independent non-executive directors, namely Mr. Wong Po Yan, Mr. Mao Zhenhua and Mr. Chong Yiu Kan, Sherman. Mr. Chong Yiu Kan, Sherman is the chairman of the audit committee. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the interim report for six months ended 30 June 2012 with the Directors.

By order of the Board
Sze Wai, Marco
Chairman

Hong Kong, 29 August 2012

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