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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 2012**

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Turnover</b>	3	<b>12,463</b>	13,519
Other income and gains	4	<b>4,907</b>	4,781
Administrative expenses		<b>(54,671)</b>	(56,977)
Other operating expenses		<b>(1,539)</b>	(2,470)
<b>Loss from operations</b>		<b>(38,840)</b>	(41,147)
Finance costs	5	<b>(274)</b>	(182)
Impairment losses on intangible assets	11	<b>(1,364)</b>	(4,921)
Impairment losses on property, plant and equipment		<b>(590)</b>	(1,964)
<b>Loss before tax</b>		<b>(41,068)</b>	(48,214)
Income tax credit	6	<b>665</b>	1,406
<b>Loss for the year</b>	7	<b><u>(40,403)</u></b>	<u>(46,808)</u>
<b>Loss per share</b>			
Basic	9(a)	<b><u>(1.89) cents</u></b>	<u>(2.19) cents</u>
Diluted	9(b)	<b><u>(1.89) cents</u></b>	<u>(2.19) cents</u>

\* For identification purpose only

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(40,403)</b>	(46,808)
<b>Other comprehensive income for the year, net of tax</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<u>1,334</u>	<u>11,486</u>
<b>Total comprehensive loss for the year</b>	<b><u><u>(39,069)</u></u></b>	<b><u><u>(35,322)</u></u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>Note</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>16,491</b>	24,402
Intangible assets	<i>11</i>	<b>9,395</b>	13,364
Pledged bank deposit		<u>—</u>	<u>5,000</u>
		<b>25,886</b>	42,766
<b>Current assets</b>			
Trade and other receivables	<i>12</i>	<b>28,611</b>	31,797
Bank and cash balances		<b>131,108</b>	148,262
		<b>159,719</b>	180,059
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>9,524</b>	6,189
Finance lease payables	<i>14</i>	<b>876</b>	818
		<b>10,400</b>	7,007
<b>Net current assets</b>		<b>149,319</b>	173,052
<b>Total assets less current liabilities</b>		<b>175,205</b>	215,818
<b>Non-current liabilities</b>			
Finance lease payables	<i>14</i>	<b>2,355</b>	3,231
Deferred tax liabilities		<b>1,232</b>	1,900
		<b>3,587</b>	5,131
<b>Net assets</b>		<b>171,618</b>	210,687
<b>Capital and reserves</b>			
Share capital		<b>213,808</b>	213,808
Reserves		<b>(42,190)</b>	(3,121)
<b>Total equity</b>		<b>171,618</b>	210,687

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 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 2012. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards 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:

	<b>2012</b> <i>HK\$’000</i>	2011 <i>HK\$’000</i>
Provision of automatic teller machine (“ATM”) services	<u><b>12,463</b></u>	<u>13,519</u>

### 4. OTHER INCOME AND GAINS

	<b>2012</b> <i>HK\$’000</i>	2011 <i>HK\$’000</i>
Interest income	<b>4,907</b>	4,755
Others	<u>–</u>	<u>26</u>
	<u><b>4,907</b></u>	<u>4,781</u>

## 5. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Finance lease charges	228	159
Interest expenses on bank overdrafts	<u>46</u>	<u>23</u>
	<u><b>274</b></u>	<u><b>182</b></u>

## 6. INCOME TAX CREDIT

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Current tax – Hong Kong</b>		
Provision for the year	–	–
<b>Current tax – PRC Corporate Income Tax</b>		
Provision for the year	–	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>665</u>	<u>1,406</u>
	<u><b>665</b></u>	<u><b>1,406</b></u>

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2012 and 2011 as the Group except the subsidiaries in the PRC did not generate any assessable profits arising in Hong Kong during the years.

No provision for PRC Corporate Income Tax has been made for the years ended 31 December 2012 and 2011 since the subsidiaries in the PRC have either no assessable profits or sufficient tax losses brought forward to set off against assessable profits for the years.

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

## 7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Amortisation of intangible assets	<b>2,664</b>	3,598
Auditor's remuneration	<b>1,008</b>	1,196
Depreciation	<b>8,575</b>	12,270
Net foreign exchange losses	<b>1</b>	450
Operating lease charges in respect of land and buildings and ATM deployment	<b>5,693</b>	4,890
Impairment losses on other receivables	<b>1,535</b>	1,843
Staff costs including directors' emoluments		
Salaries and other benefits	<b>15,276</b>	15,478
Retirement benefits schemes contributions	<b>859</b>	659
	<b>16,135</b>	16,137
Written off of property, plant and equipment	<b>3</b>	177

## 8. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2012 and 2011.

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss (2011: 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\$40,403,000 (2011: HK\$46,808,000) and the weighted average number of ordinary shares of approximately 2,138,085,000 (2011: 2,138,085,000) 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 2012 and 2011.

## 10. SEGMENT INFORMATION

The Group operates one operating segment, which is provision of ATM 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 consolidated financial statements.

All operating assets and operations of the Group during the years ended 31 December 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 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	
	2012	2011	2012	2011
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Hong Kong	–	–	5,133	11,797
PRC except Hong Kong	<u>12,463</u>	<u>13,519</u>	<u>20,753</u>	<u>30,969</u>
	<u>12,463</u>	<u>13,519</u>	<u>25,886</u>	<u>42,766</u>

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

### (b) Revenue from major customers

	2012	2011
	HK\$’000	HK\$’000
ATM services		
Customer a	4,943	5,427
Customer b	5,058	4,501
Customer c	1,782	1,877
Customer d	<u>669</u>	<u>1,301</u>

## 11. INTANGIBLE ASSETS

	<b>Customer contracts</b> <i>HK\$'000</i>
<b>Cost:</b>	
At 1 January 2011	52,664
Exchange adjustments	<u>2,866</u>
At 31 December 2011 and 1 January 2012	55,530
Exchange adjustments	<u>432</u>
<b>At 31 December 2012</b>	<b><u>55,962</u></b>
<b>Accumulated amortisation and impairment:</b>	
At 1 January 2011	31,729
Amortisation for the year	3,598
Impairment losses	4,921
Exchange adjustments	<u>1,918</u>
At 31 December 2011 and 1 January 2012	42,166
Amortisation for the year	2,664
Impairment losses	1,364
Exchange adjustments	<u>373</u>
<b>At 31 December 2012</b>	<b><u>46,567</u></b>
<b>Carrying amount:</b>	
<b>At 31 December 2012</b>	<b><u><u>9,395</u></u></b>
At 31 December 2011	<u><u>13,364</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 4 years (2011: 5 years).

The Group carried out reviews of the recoverable amount of its intangible assets in 2012 and 2011 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. As the Group concentrated its business expansion strategy on strengthening cooperation with their existing customers and carefully reviewed the location selection strategy of ATM deployment, this led to the recognition of impairment losses of approximately HK\$1,364,000 (2011: HK\$4,921,000) 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 pre-tax discount rate used in measuring the fair value less costs to sell is 15% (2011: 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

	<i>Note</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	(a)	<b>2,094</b>	1,845
Prepayments, deposits and other receivables		<u><b>26,517</b></u>	<u>29,952</u>
	(b)	<u><b>28,611</b></u>	<u>31,797</u>

*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, is as follows:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current	<b>722</b>	797
1 to 3 months	<b>416</b>	568
3 to 12 months	<b>942</b>	466
Over 1 year	<u><b>14</b></u>	<u>14</u>
	<u><b>2,094</b></u>	<u>1,845</u>

As at 31 December 2012 and 2011, no allowance was made for estimated irrecoverable trade receivables.

As at 31 December 2012, trade receivables of approximately HK\$956,000 (2011: HK\$480,000) 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>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
3 to 12 months	<b>942</b>	466
Over 1 year	<u><b>14</b></u>	<u>14</u>
	<u><b>956</b></u>	<u>480</u>

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

	<b>2012</b> <i>'000</i>	2011 <i>'000</i>
Renminbi (“RMB”)	<u><b>2,592</b></u>	<u>3,085</u>

### 13. TRADE AND OTHER PAYABLES

	<i>Note</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade payables	<i>(a)</i>	<b>1,148</b>	1,136
Other payables and accrued expenses		<b>8,376</b>	5,052
Amount due to a director	<i>(b)</i>	<u>–</u>	<u>1</u>
		<u><b>9,524</b></u>	<u>6,189</u>

*Note:*

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
1 to 3 months	<b>454</b>	669
3 to 12 months	<b>621</b>	444
Over 1 year	<u><b>73</b></u>	<u>23</u>
	<u><b>1,148</b></u>	<u>1,136</u>

The carrying accounts of the Group’s trade payables as 31 December 2012 and 2011 are denominated in RMB.

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

#### 14. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within one year	1,046	1,046	876	818
In the second to fifth years, inclusive	<u>2,529</u>	<u>3,575</u>	<u>2,355</u>	<u>3,231</u>
	3,575	4,621	3,231	4,049
Less: Future finance charges	<u>(344)</u>	<u>(572)</u>	<u>-</u>	<u>-</u>
Present value of lease obligations	<u><b>3,231</b></u>	<u><b>4,049</b></u>	<u><b>3,231</b></u>	<u><b>4,049</b></u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(876)</u>	<u>(818)</u>
Amount due for settlement after 12 months			<u><b>2,355</b></u>	<u><b>3,231</b></u>

It is the Group's policy to lease its motor vehicle under finance leases. The lease term is 5 years. At 31 December 2012, the effective borrowing rate was 6.26% (2011: 6.26%). 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Global economy remained unstable in 2012, which continuously affected the domestic economy and personal financial activities. As uncertainties lingered, the operating environment of the ATM market has yet to see any improvement, hence, the growth of the entire sector slowed down and the development became more conservative.

As at 31 December 2012, the Group's ATM network covered Shenyang, Shenzhen, Jinan, Qingdao, Yantai, Linyi, Weihai, Changsha and Nantong as well as other cities across the country. During the year under review, the Group's turnover recorded a decrease which was mainly attributable to persistent competition in the market, in which competing operators expanded their ATM networks and encroached upon the Group's market share. In addition, some of our customers went through bank mergers and upgraded their security systems during the period, resulting in temporary suspension in related networks pending improvement, thus negatively affected our transaction volume and income. However, prudent network deployment and active consolidation have effectively reduced our losses compared to last year.

Under the nationwide policy of replacing bank cards with financial IC cards promoted by the People's Bank of China, the Group continued its progress on IC chips application and ATM optimisation. We also collaborated closely with our customers to initiate an ATMC control software to meet specific needs. On the other hand, in response to tightened guidelines on ATM supervision, regulation and security implemented by local public security departments and banks, the Group continued to enhance our system security devices with an aim to safeguard the users' rights.

Regarding business expansion, the Group maintained close contact with prospective customers during the year in preparation for future ATM business expansion projects.

Capitalising on our prudent financial management, credit control policy and effective cost control, the Group will maintain a healthy financial position and minimise its exposure to financial risks.

### Prospects

The Group's professional management team and state-of-the-art technology gained wide acceptance from our clients, which in turn bolstered our confidence in the prospects of our ongoing business development. As one of the pioneering operators in the industry, the Group will continue to grow in the following three main directions:

1. To actively commence the replacement of bank cards and the optimisation of security devices, as well as consolidate the long-term cooperation with customers to establish stable strategic partnerships;

2. To re-locate particular standalone ATMs with low transaction volume while increasing the ATM utilisation in other network locations so as to enhance overall revenue and cost effectiveness; and
3. To work closely with local commercial banks to deepen collaboration in ATM operations by capitalising on each other's strengths.

Recent market surveys have shown that urban China is one of the five areas with the highest smart phone utilisation rate in the world. The management believes that online wealth management via mobile phones will become a major trend in the market. Thus, the Group is closely analyzing the latest developments in the ATM business and will evaluate collaborative developments with customers when appropriate opportunities arise.

Looking ahead, the Group will closely monitor the market conditions and adjust our business strategies to better address emerging trends. As the operating environment of the ATM market in China has become more challenging, the Group has been identifying appropriate new projects for investment. We entered into a Memorandum of Understanding with Wuxi Municipal Virescence Construction Company Limited through our wholly-owned subsidiary on 4 February 2013 to diversify its business into the gardening and landscape construction sector. The investment amount was approximately RMB60 million.

According to statistics from the National Bureau of Statistics of China, there has been significant investment in the industry of eco-environment construction. The Central Government also issued guidelines on facilitating the healthy development of urban landscaping. The Group is optimistic about the prospects of the gardening and landscape construction sector. We also expects that industry integration will facilitate market development and believes that better development opportunities will create more satisfactory returns for our shareholders.

### **Liquidity and Financial Resources**

As at 31 December 2012, the Group had cash and bank balances of HK\$131.1 million (2011: HK\$153.3 million) of which none of the balances (2011: 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\$3.2 million as at 31 December 2012 (2011: HK\$4.0 million). As at 31 December 2012, the total assets value of the Group was HK\$185.6 million (2011: HK\$222.8 million) whereas the total liabilities was HK\$14.0 million (2011: HK\$12.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 7.5% (2011: 5.4%).

At 31 December 2012, the Group had no banking facilities. At 31 December 2011, the Group had banking facilities of HK\$5 million which was secured by a charge over the Group's bank deposits of HK\$5 million.

The Group maintained a net cash (being the total cash and bank balances net of finance lease liabilities) to equity ratio of 74.5% (2011: net cash to equity ratio of 68.4%) as at 31 December 2012. With net cash of HK\$127.9 million (2011: net cash of HK\$144.2 million) as at 31 December 2012, 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 RMB, 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 2012, the Group had approximately 45 (2011: 45) employees of which approximately 9 (2011: 9) were technicians and engineers. Employees' costs (including directors' emoluments) amounted to approximately HK\$16 million (2011: 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 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. During the year ended 31 December 2012, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices for the period from 1 January 2012 to 31 March 2012 and Corporate Governance Code for the period from 1 April 2012 to 31 December 2012 as stated in Appendix 14 of the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited except the following deviations:

1. The Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

Although Mr. Sze Wai, Marco holds both the positions of the Chairman and Chief Executive Officer of the Company, the Board considers that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also considers that the current Board composition, where half of the Board are represented by Independent Non-executive Directors and corporate governance structure ensure effective oversight of management.

The Board will continue to view the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of roles of Chairman and Chief Executive Officer, are necessary.

2. The Code Provision A.4.1 stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election. Although the Independent Non-executive Directors are not appointed for specific term, they are subject to retirement by rotation at least once every three years in accordance with Article 111(A) of the Company's Bye-Laws.
3. The Code Provision E.1.2 and A.6.7 stipulates that the Chairman of the Board and the Non-executive Directors should attend the annual general meeting. The Chairman of the Board, Mr. Sze Wai, Marco and two Independent Non-executive Directors, Mr. Wong 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. Although they were unable to attend, they had arranged for Mr. Tan Shu Jiang, an Executive Director and Mr. Chan Ying Kay, the Company Secretary of the Company who are well versed in all the business activities and operations of the Group, to attend on their 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 2012 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 2012.

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

Hong Kong, 25 March 2013

*As at the date of notice, the board of directors of the Company comprises Sze Wai, Marco, Tan Shu Jiang, Mao Zhenhua and Shentu Jun as executive Directors, Lai Yip Wing, Chan Ming Sun and Chong Yiu Kan, Sherman as independent non-executive Directors.*