

# *Fin*Tronics

## 银 创 控 股

**FINTRONICS HOLDINGS COMPANY LIMITED**

(Incorporated in Bermuda with limited liability)

Stock Code : 706



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Sze Wai, Marco (*Chairman and Chief Executive Officer*)  
Mr. Song Jing Sheng  
Mr. Tan Shu Jiang

### Independent Non-executive Directors

Mr. Wong Po Yan  
Mr. Mao Zhenhua  
Mr. Chong Yiu Kan, Sherman

## COMPANY SECRETARY

Mr. Chan Ying Kay, *FCPA*

## QUALIFIED ACCOUNTANT

Mr. Chan Ying Kay, *FCPA*

## LEGAL ADVISERS

Chiu & Partners  
40th Floor, Jardine House  
1 Connaught Place  
Hong Kong

## AUDITOR

RSM Nelson Wheeler  
*Certified Public Accountants*  
29th Floor, Caroline Centre,  
Lee Gardens Two,  
28 Yun Ping Road,  
Hong Kong

## INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited  
[www.sprg.com.hk](http://www.sprg.com.hk)

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Citic Ka Wah Bank Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2003 and 2005, 20th Floor  
Great Eagle Centre  
23 Harbour Road, Wanchai  
Hong Kong

## BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street, Hamilton HM 11  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26/F Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

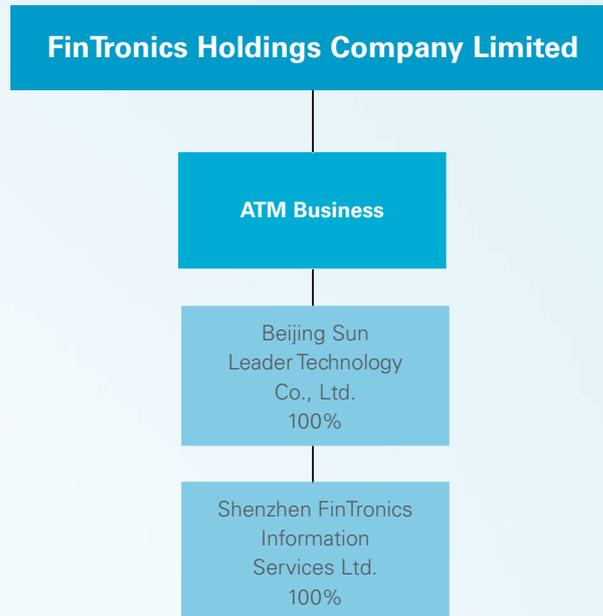
## COMPANY WEBSITE

[www.fintronics.com.hk](http://www.fintronics.com.hk)

# BUSINESS STRUCTURE

At 31 December 2011

The following chart shows the principal subsidiaries of FinTronics Holdings Company Limited which are engaged in ATM business as at 31 December 2011:



# CHAIRMAN'S STATEMENT

## To Our Shareholders

Amidst the uncertainties of the global economy which became particularly acute during the second half of last year with the outbreak of the European debt crisis, consumer confidence in China has been adversely affected to a modest extent. This has been reinforced by the restrictions on monetary policy imposed by the Central Government, and the combined effect has resulted in continued slowdown in the growth of China's ATM market. Despite the increased competition in the ATM market under a challenging business environment, FinTronics has maintained its competitive advantage in the sector through its solid foundation and proven business strategy.

During the year, the Group has strictly adhered to its carefully conceived development strategy and adopted a prudent approach to business expansion. It has also continued closely collaborating with our clients for the mutual benefits of all involved by capitalising on each other's advantages.

As one of the pioneering operators in the industry, our professional management team and state-of-the-art technology have gained wide acceptance from our clients. This together with our strong customer relationships inspires our confidence in our ongoing business development. Based on our present healthy financial position and our business plans in place, our management is striving to bring promising and long-term returns to our shareholders.

## APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to all of our clients, bankers, investors and business partners for their continuous support and trust. I would also like to thank the management team and staff for their commitment and contributions to the Group's business over the past year.

**Sze Wai, Marco**

*Chairman and Chief Executive Officer*

Hong Kong, 29 March 2012

# 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 (31 December 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.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Sze Wai, Marco**, aged 46, is the Chairman and the Chief Executive Officer of the Company. He joined the Group in February 2001. Mr. Sze has over 20 years of experience in investing in Hong Kong and China. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading. He is responsible for formulating the Group's business strategies.

**Mr. Song Jing Sheng**, aged 53, graduated from the postgraduate school of Chinese Academy of Social Sciences majoring in Finance. He has extensive experience in the banking and finance industry in the PRC. Mr. Song joined the Group in May 2005.

**Mr. Tan Shu Jiang**, aged 43, holds a Bachelor Degree of German Language from Shanghai International Studies University. Mr. Tan has over 15 years of experience in the sales and marketing, technical and general management in the information technology businesses. He was a director of Barwinstart Cultural Communication Co., Limited which is principally engaged in the operation of internet business in the PRC. He joined the Group in January 2007.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wong Po Yan**, *GBM, CBE, JP*, aged 88, is an Independent Non-executive Director. He joined the Group in June 1998. He is the founder of United Oversea Enterprises, Ltd., the Honorary President of Chinese Manufacturers Association of Hong Kong. Mr. Wong was formerly the Vice Chairman of the Basic Law Committee of Hong Kong under the Standing Committee of the National People's Congress of the PRC, and a member of the Hong Kong Legislative Council, the Chairman of the Airport Authority of Hong Kong. Mr. Wong holds an Honorary Doctorate Degree in Business Administration from the City University of Hong Kong and an Honorary Doctorate Degree in Social Science from Hong Kong Baptist University. Mr. Wong is currently an independent non-executive director of Shenzhen Investment Ltd. (Stock Code: 604), Mingfa Group (International) Company Limited (Stock Code: 846), Allied Group Ltd. (Stock Code: 373), China Electronics Corporation Holdings Co. Ltd. (Stock Code: 85) and Sinopac Kantons Holdings Ltd. (Stock Code: 934), all the companies which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Mr. Mao Zhenhua**, aged 48, is an Independent Non-executive Director. He joined the Group in February 2001. Mr. Mao graduated from Wuhan University with a Doctorate Degree in Economics. Mr. Mao is currently the Board Chairman and Chief Economist of China Chengxin Credit Management Co., Ltd. and the Vice Chairman of Guangxi Fenglin Wood Industry Group Co. Ltd.. He has extensive experience in investment banking and the management of listed companies in Hong Kong. Mr. Mao had carried out economic analysis and policies research for Hubei Provincial Government, Hainan Provincial Government and Research Office of the State Council.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chong Yiu Kan, Sherman**, aged 48, is an Independent Non-executive Director. He joined the Group in September 2004. Mr. Chong obtained a Master Degree in Business Administration from the University of Hong Kong. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. Mr. Chong is currently an independent non-executive director of Zhi Cheng Holdings Limited (Stock Code: 8130). He has over 24 years of working experience in auditing, accounting, taxation and management consultancy. He is the sole proprietor of Sherman Chong & Co. (CPA).

## SENIOR MANAGEMENT

**Mr. Chan Ying Kay**, aged 48, Company Secretary and Qualified Accountant of the Company. Mr. Chan is also the Chief Financial Officer of the Company. Mr. Chan is responsible for the financial management, corporate finance and company secretarial matters of the Group. Mr. Chan joined the Group in April 2003 and has over 23 years of experience in accounting and finance. Mr. Chan is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

# REPORT OF THE DIRECTORS

The Directors hereby present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 34 to the consolidated financial statements.

The analysis of the segment information is set out in note 14 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2011 and the state of the Group's affairs as at that date are set out in the consolidated financial statements on pages 26 to 79.

## GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 80.

## MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	40	Nil
Five largest customers in aggregate	99	Nil
The largest supplier	Nil	Nil
Five largest suppliers in aggregate	Nil	Nil

None of the Directors, their associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.

# REPORT OF THE DIRECTORS

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2011 are set out in note 16 to the consolidated financial statements.

## OTHER BORROWINGS

Particulars of other borrowings of the Group as at 31 December 2011 are set out in note 22 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

## SHARE PREMIUM AND RESERVES

Details of movements in the reserves of the Group are set out in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company has no reserve available for cash distribution (2010: Nil) as computed in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account of approximately HK\$489,081,000 as at 31 December 2011 may be distributed in the form of fully paid bonus shares.

## EMOLUMENT POLICY

A remuneration committee has been set up for reviewing the Group's emolument policy and structure for all remuneration of directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

## DIRECTORS

The Directors during the financial year and up to the date of this report were:

### Executive Directors

Mr. Sze Wai, Marco, *Chairman and Chief Executive Officer*

Mr. Song Jing Sheng

Mr. Tan Shu Jiang

### Independent Non-executive Directors

Mr. Wong Po Yan

Mr. Mao Zhenhua

Mr. Chong Yiu Kan, Sherman

Independent Non-executive Directors are not appointed for a specific term. All the Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

In accordance with Bye-laws 111(A), Mr. Wong Po Yan and Mr. Chong Yiu Kan, Sherman will retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board still considers each of the Independent Non-executive Directors to be independent as at the date of this report.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Brief biographical details of directors and senior management are set out on pages 7 and 8 of this report.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the share or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

<b>Name</b>	<b>Name of company</b>	<b>Capacity</b>	<b>Number and class of securities (note 1)</b>
Sze Wai, Marco	The Company	Interest of controlled corporation (note 2)	476,909,906 ordinary shares (L)
	The Company	Beneficial owner	2,500,000 ordinary shares (L) (note 3)
Song Jing Sheng	The Company	Beneficial owner	34,000,000 ordinary shares (L)
	The Company	Beneficial owner	3,500,000 ordinary shares (L) (note 3)
Wong Po Yan	The Company	Beneficial owner	2,500,000 ordinary shares (L) (note 3)
Mao Zhenhua	The Company	Beneficial owner	2,500,000 ordinary shares (L) (note 3)
Chong Yiu Kan, Sherman	The Company	Beneficial owner	2,650,000 ordinary shares (L) (note 4)

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

### Notes:

1. The letter "L" represents the Director's interests in the Shares and underlying shares of the Company.
2. These shares were held by Leading Value Industrial Limited and Global Prize Limited, companies wholly owned by Sze Wai, Marco.
3. These shares were the shares which would be allotted and issued upon exercise in full of the options granted to such Director under the share option schemes of the Company.
4. Included in these shares were (i) 650,000 issued shares and (ii) 2,000,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.

Save as disclosed above, as at 31 December 2011, none of the Directors and the chief executive of the Company had any interest and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, 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 "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted for a period of ten years, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees, non-executive directors, any suppliers and customers of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options granted after 1 September 2001, the exercise price of the options shall not be lower than the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on the Hong Kong Stock Exchange on the date of offer of the options, which must be a trading day, and (iii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME (Continued)

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other operative share option schemes of the Group may not in aggregate exceed 105,778,000, being 10% of the shares in issue of the Company as at 30 June 2006, the date of which the resolution is passed pursuant to the share option scheme.

The unexercised outstanding share options as at 31 December 2011 are as follows:

Grantee	Date granted	Exercisable period	Exercise price of options HK\$	Number of share options				
				Outstanding at 1.1.2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011
<b>Old Scheme</b>								
<b>Director</b>								
Sze Wai, Marco	14 May 2001	1 Oct 2001 – 2 Jun 2011	0.433	4,689,769	-	-	(4,689,769)	-
<b>Employees</b>								
	14 May 2001	1 Oct 2001 – 2 Jun 2011	0.433	334,983	-	-	(334,983)	-
<b>New Scheme</b>								
<b>Directors</b>								
Song Jing Sheng	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	2,000,000	-	-	-	2,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	-	-	-	1,500,000
Sze Wai, Marco	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	-	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	-	-	-	1,500,000
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	4,000,000	-	-	-	4,000,000

## SHARE OPTION SCHEME (Continued)

Grantee	Date granted	Exercisable period	Exercise price of options HK\$	Number of share options				
				Outstanding at 1.1.2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011
<b>Independent non-executive directors</b>								
Chong Yiu Kan, Sherman	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	500,000	-	-	-	500,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	-	-	-	1,500,000
Mao Zhenhua	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	-	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	-	-	-	1,500,000
Wong Po Yan	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	-	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	-	-	-	1,500,000
<b>Employees</b>								
	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	0.122	2,000,000	-	-	-	2,000,000
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	0.213	1,000,000	-	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	21,100,000	-	-	-	21,100,000
				46,124,752	-	-	(5,024,752)	41,100,000

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME *(Continued)*

The share options are exercisable for a period of ten years commencing from the date of grant and subject to the vesting provisions are as follows:

<b>Date granted</b>	<b>Vesting period</b>	<b>Percentage of options vested</b>
20.03.2006	20.03.2006 - 19.03.2016	100%
04.10.2006	04.10.2006 - 03.04.2007	Nil
	04.04.2007 - 03.10.2007	50%
	04.10.2007 - 03.10.2016	100%
31.10.2006	31.10.2006 - 30.04.2007	Nil
	01.05.2007 - 31.10.2007	50%
	01.11.2007 - 30.10.2016	100%
24.06.2009	24.06.2009 - 23.12.2009	Nil
	24.12.2009 - 23.06.2019	100%

**SHARE OPTION SCHEME** *(Continued)*

There was no share options exercised during the year. The options outstanding at the end of the year have a weighted average remaining contractual life of 6.90 years (2010: 7.09 years) and the exercise prices range from HK\$0.122 to HK\$0.270 (2010: HK\$0.122 to HK\$0.433).

There was no share-based compensation costs recognised during the year (2010: Nil).

Apart from the foregoing, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Company's Directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or any other body corporate.

**SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO**

As at 31 December 2011, the following persons and entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Number of ordinary shares <i>(Note 1)</i>	Capacity	Approximate percentage of interest
Leading Value Industrial Limited <i>(Note 2)</i>	474,869,906 (L)	Beneficial owner	22.21
Global Prize Limited <i>(Note 2)</i>	2,040,000 (L)	Beneficial owner	0.10

*Notes:*

- The letter "L" represents the entity's interests in the Shares.
- Leading Value Industrial Limited and Global Prize Limited are Companies wholly owned by Sze Wai, Marco, who is an Executive Director.

Save as disclosed above, as at 31 December 2011, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

# REPORT OF THE DIRECTORS

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed in the section headed "Share Option Schemes" above, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **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.

## **COMPETING BUSINESS INTERESTS OF DIRECTORS**

None of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **RETIREMENT SCHEME**

The Company and its Hong Kong subsidiaries operate Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employers and employees are each required to make contributions to the MPF schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the MPF schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the profit or loss amounted to HK\$124,000 (2010: HK\$176,000) during the year.

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 15% to 33% (2010: 15% to 33%) of the standard wages determined by the relevant authorities in the PRC.

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.

## RETIREMENT SCHEME *(Continued)*

The aggregate employers' contributions by the Group under the PRC pension schemes amounted to HK\$535,000 (2010: HK\$575,000) during the year.

The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its holding company or its subsidiaries was a party, subsisted at the end of the year or at any time during the year in which a director of the Company had a material interest.

## CONNECTED TRANSACTIONS

During the year, there were no transactions which are required to be disclosed in accordance with announcement and reporting requirements under the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this report.

## AUDITOR

The consolidated financial statements have been audited by RSM Nelson Wheeler, who will retire and a resolution for their reappointment as the auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board  
**FinTronics Holdings Company Limited**

**Sze Wai, Marco**  
*Chairman*

Hong Kong, 29 March 2012

# CORPORATE GOVERNANCE REPORT

The Company has applied the principles and complied with the code provisions set out in the Code of 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 2011, except for certain deviations specified with considered reasons as explained below.

## 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 2011.

## THE BOARD OF DIRECTORS

The Board consists of three Independent Non-executive Directors that is more than one-third of the Board. As at the date of this report, the Board comprises six Directors, of which three are Executive Directors. Members of the Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. There are total of four regular board meetings held during the year.

Attendance of individual Directors at Board Meetings held during the year:–

	Attendance	Percentage
<b>Executive Directors</b>		
Mr. Sze Wai, Marco	4/4	100%
Mr. Song Jing Sheng	4/4	100%
Mr. Tan Shu Jiang	4/4	100%
<b>Independent Non-executive Directors</b>		
Mr. Wong Po Yan	4/4	100%
Mr. Mao Zhenhua	4/4	100%
Mr. Chong Yiu Kan, Sherman	4/4	100%

While the Board is primarily overseeing and managing the Company’s affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The Executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The Non-executive Directors (including Independent Non-executive Directors) contribute valuable views and proposals for the Board’s deliberation and decisions.

## THE BOARD OF DIRECTORS *(Continued)*

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.

The three Independent Non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders’ interest and overall interest of the Group. There is no fixed term of office for each Independent Non-executive Director, but each of them is required to retire in accordance with the Company’s Bye-laws. Under Article III(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.

The Group believes that the structure of the Board is most suitable for the Group’s existing operation and is most beneficial to the shareholders’ interest. However, a review of the structure will be done regularly to see if any changes are needed.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises four members, a majority of whom are Independent Non-executive Directors, and is chaired by Mr. Wong Po Yan. The Remuneration Committee is aimed to review and determine the remuneration policy and packages of the Executive Directors and executives.

The Remuneration Committee is scheduled to meet at least once a year for the determination of the remuneration packages of the Executive Directors and executives of the Group. In addition, the Committee also meets as and when required to consider remuneration related matters. One meeting was held during the financial year. The attendance of each member is set out as follows:

Attendance of individual members at Remuneration Committee Meeting held during the year:–

	Attendance	Percentage
<b>Independent Non-executive Directors</b>		
Mr. Wong Po Yan ( <i>Chairman</i> )	1/1	100%
Mr. Mao Zhenhua	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
<b>Executive Director</b>		
Mr. Sze Wai, Marco	1/1	100%

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Nomination Committee comprises four members, a majority of whom are independent Non-executive Directors, and is chaired by Mr. Mao Zhenhua. The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition of the Board. In addition, the Nomination Committee also meets as and when required to consider nomination related matters. One meeting was held during the financial year. The attendance of each member is set out as follows:

Attendance of individual members at Nomination Committee Meeting held during the year:-

	Attendance	Percentage
<b>Independent Non-executive Directors</b>		
Mr. Mao Zhenhua ( <i>Chairman</i> )	1/1	100%
Mr. Wong Po Yan	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
<b>Executive Director</b>		
Mr. Sze Wai, Marco	1/1	100%

## AUDITOR'S REMUNERATION

The Company reviews the appointment of external auditor on an annual basis including a review of the audit scope and approval of the audit fee. During the year, the fee payable to the Company's external auditor for the annual audit amounted to HK\$1,100,000 and fee for non-audit related activities amounted to HK\$50,000.

## 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 consolidated 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.

## AUDIT COMMITTEE *(Continued)*

The Audit Committee met two times during the year and the attendance of each member is set out as follows:

	Attendance	Percentage
<b>Independent Non-executive Directors</b>		
Mr. Chong Yiu Kan, Sherman ( <i>Chairman</i> )	2/2	100%
Mr. Mao Zhenhua	2/2	100%
Mr. Wong Po Yan	2/2	100%

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

## COMMUNICATION WITH SHAREHOLDERS

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. All the shareholders have at least 20 clear business days' notice of annual general meeting at which directors are available to answer questions on the business. In an effort to enhance the communication, the Company provides information relating to the Company and its business in its annual report and interim report and also disseminates such information electronically through its website at [www.fintronics.com.hk](http://www.fintronics.com.hk). Specific enquiries from shareholders can be sent in writing to the Company at our head office in Hong Kong or by email or through the Company's Investor Relations Adviser.

In order to provide effective disclosure to shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. The code provision stipulates that 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.

# INDEPENDENT AUDITOR'S REPORT

## RSM! Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

### **TO THE SHAREHOLDERS OF FINTRONICS HOLDINGS COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of FinTronics Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 79, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the consolidated financial statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

## INDEPENDENT AUDITOR'S REPORT

an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong

29 March 2012

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Turnover</b>	6	<b>13,519</b>	12,028
Other income and gains	7	<b>4,781</b>	6,829
Administrative expenses		<b>(56,977)</b>	(76,043)
Other operating expenses		<b>(2,470)</b>	(1,339)
<b>Loss from operations</b>		<b>(41,147)</b>	(58,525)
Finance costs	8	<b>(182)</b>	(1,172)
Impairment losses on intangible assets	17	<b>(4,921)</b>	(3,266)
Impairment losses on property, plant and equipment	16	<b>(1,964)</b>	(6,411)
Loss on repayment of convertible bonds	23	–	(923)
<b>Loss before tax</b>		<b>(48,214)</b>	(70,297)
Income tax credit	9	<b>1,406</b>	1,306
<b>Loss for the year</b>	10	<b>(46,808)</b>	(68,991)
<b>Loss per share</b>			
Basic	13(a)	<b>(2.19) cents</b>	(3.45) cents
Diluted	13(b)	<b>(2.19) cents</b>	(3.45) cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2011*

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>
<b>Loss for the year</b>		<b>(46,808)</b>	(68,991)
<b>Other comprehensive income, net of tax</b>	<i>15</i>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		<b>11,486</b>	6,379
<b>Total comprehensive loss for the year</b>		<b>(35,322)</b>	(62,612)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	24,402	30,302
Intangible assets	17	13,364	20,935
Pledged bank deposit	19	5,000	5,000
		<b>42,766</b>	56,237
<b>Current assets</b>			
Trade and other receivables	18	31,797	50,824
Bank and cash balances	19	148,262	151,081
		<b>180,059</b>	201,905
<b>Current liabilities</b>			
Trade and other payables	20	6,189	8,809
Finance lease payables	22	818	–
		<b>7,007</b>	8,809
<b>Net current assets</b>		<b>173,052</b>	193,096

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2011*

	<i>Note</i>	<b>2011 HK\$'000</b>	2010 HK\$'000
<b>Total assets less current liabilities</b>		<b>215,818</b>	249,333
<b>Non-current liabilities</b>			
Finance lease payables	22	<b>3,231</b>	–
Deferred tax liabilities	26	<b>1,900</b>	3,324
		<b>5,131</b>	3,324
<b>Net assets</b>		<b>210,687</b>	246,009
<b>Capital and reserves</b>			
Share capital	27	<b>213,808</b>	213,808
Reserves	29	<b>(3,121)</b>	32,201
<b>Total equity</b>		<b>210,687</b>	246,009

Approved and authorised for issue by the Board of Directors on 29 March 2012.

**Sze Wai, Marco**  
*Director*

**Tan Shu Jiang**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital	Share premium	Share option reserve	Translation reserve	Convertible bonds reserve	Property revaluation reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	184,328	441,717	8,518	22,528	-	11	(425,285)	231,817
Total comprehensive income (loss) for the year	-	-	-	6,379	-	-	(68,991)	(62,612)
Recognition of equity component								
of convertible bonds	-	-	-	-	17,321	-	-	17,321
Conversion of convertible bonds	29,460	47,290	-	-	(17,321)	-	-	59,429
Exercise of share options	20	74	(40)	-	-	-	-	54
Share options lapsed	-	-	(900)	-	-	-	900	-
Disposal of property	-	-	-	-	-	(11)	11	-
Changes in equity for the year	29,480	47,364	(940)	6,379	-	(11)	(68,080)	14,192
At 31 December 2010	213,808	489,081	7,578	28,907	-	-	(493,365)	246,009
At 1 January 2011	213,808	489,081	7,578	28,907	-	-	(493,365)	246,009
Total comprehensive income (loss) for the year	-	-	-	11,486	-	-	(46,808)	(35,322)
Changes in equity for the year	-	-	-	11,486	-	-	(46,808)	(35,322)
At 31 December 2011	213,808	489,081	7,578	40,393	-	-	(540,173)	210,687

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000
<b>Cash flows from operating activities</b>		
Loss before tax	(48,214)	(70,297)
Adjustments for:		
Amortisation of intangible assets	3,598	3,973
Depreciation	12,270	11,465
Fair value gain on derivative component of convertible bonds	–	(435)
Finance lease charges	159	–
Gain on deregistration of a subsidiary	–	(41)
Impairment losses on intangible assets	4,921	3,266
Impairment losses on property, plant and equipment	1,964	6,411
Interest expenses	23	1,172
Interest income	(4,755)	(2,213)
Gain on disposal of property, plant and equipment and prepaid land leases	–	(3,242)
Loss on repayment of convertible bonds	–	923
Impairment losses on other receivables	1,843	123
Written off of property, plant and equipment	177	1,216
<b>Operating loss before changes in working capital</b>	<b>(28,014)</b>	<b>(47,679)</b>
Increase in trade receivables	(151)	(402)
Decrease/(increase) in prepayments, deposits and other receivables	17,335	(40,202)
Increase in trade payables	693	110
Decrease in amount due to a director	(312)	(242)
Decrease in receipts in advance	(303)	(1,567)
(Decrease)/increase in other payables and accrued expenses	(2,698)	1,953
<b>Cash used in operations</b>	<b>(13,450)</b>	<b>(88,029)</b>
PRC income tax paid	–	(503)
<b>Net cash flows used in operating activities</b>	<b>(13,450)</b>	<b>(88,532)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Cash flows from investing activities</b>			
Exercise of share options		–	54
Payments for purchases of property, plant and equipment		<b>(6,075)</b>	(3,258)
Proceeds from disposal of property, plant and equipment and prepaid land leases		–	7,369
Interest received		<b>4,755</b>	2,213
<b>Net cash flows (used in)/generated from investing activities</b>		<b>(1,320)</b>	6,378
<b>Cash flows from financing activities</b>			
Finance lease raised		<b>4,500</b>	–
Issue of convertible bonds		–	75,090
Repayment of financial lease payables		<b>(451)</b>	–
Finance lease charge paid		<b>(159)</b>	–
Interest paid		<b>(23)</b>	–
<b>Net cash flows generated from financing activities</b>		<b>3,867</b>	75,090
<b>Net decrease in cash and cash equivalents</b>		<b>(10,903)</b>	(7,064)
<b>Effect of foreign exchange rates changes, net</b>		<b>8,084</b>	3,845
<b>Cash and cash equivalents at 1 January</b>		<b>151,081</b>	154,300
<b>Cash and cash equivalents at 31 December</b>		<b>148,262</b>	151,081
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances	19	<b>148,262</b>	151,081

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2011*

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The address of its principal place of business is Units 2003 & 2005, 20/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

In the opinion of the directors of the Company, Mr. Sze Wai, Marco is the ultimate controlling party of the Company.

## 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2011*

## **3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with HKFRSs issued by the 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.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

### **(a) Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **(b) Business combination**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in the consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

#### **(c) Foreign currency translation**

##### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

##### *(ii) Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Foreign currency translation *(Continued)*

#### *(ii) Transactions and balances in each entity's financial statements (Continued)*

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

#### *(iii) Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

– Leasehold improvements	5 years
– Plant and machinery	5-10 years
– Furniture, fixtures and office equipment	3-5 years
– Motor vehicles	5 years

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

#### (e) Intangible assets

Customer contracts acquired in a business combination are identified and recognised separately from goodwill when they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such customer contracts is their fair value at the acquisition date. Customer contracts are amortised on a straight line basis over their contractual duration of ten years.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Leases

#### (i) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

#### (ii) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

### (g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

#### (i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

#### (j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **(k) Convertible bonds**

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition.

### **(l) Trade and other payables**

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### **(m) Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **(n) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the provision of ATM services is recognised when the related services are rendered to customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (o) Employee benefits

*(i) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(ii) Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

*(iii) Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

#### (p) Share based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **(r) Related parties**

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
  
- (B) An entity is related to the Group (reporting entity) if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (A).
  - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (s) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### (u) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

### 4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Foreign currency risk

It is the Group's policy for each operating entity to operate in local currency as far as possible to minimise foreign currency risk. The Group's principal business is conducted in Renminbi. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management but the management keeps on monitoring the movement of all foreign currency exposure.

#### (b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts.

In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 December 2011, the Group has available unutilised general banking facilities of approximately HK\$5,000,000 (2010: HK\$5,000,000). Details of which are set out in note 21 to the consolidated financial statements.

The maturity analysis of the Group's financial liabilities is as follows and the amounts disclosed in the table are the contractual undiscounted cash flows:

	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
<b>At 31 December 2011</b>					
Amount due to a director	1	–	–	–	–
Finance lease payables	–	1,046	1,047	2,528	–
Other payables and accrued expenses	–	5,052	–	–	–
Trade payables	–	1,136	–	–	–
<b>At 31 December 2010</b>					
Amount due to a director	313	–	–	–	–
Other payables and accrued expenses	–	7,750	–	–	–
Receipts in advance	–	303	–	–	–
Trade payables	–	443	–	–	–

### (d) Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly short-term bank deposits. Since the bank deposits are all short-term in nature, any further variation in interest rates will not have a significant impact on the results of the Group.

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

For the year ended 31 December 2011

#### 4. FINANCIAL RISK MANAGEMENT (Continued)

##### (e) Categories of financial instruments at 31 December

	2011 HK\$'000	2010 HK\$'000
<b>Financial assets:</b>		
Loans and receivables		
Pledged bank deposit	5,000	5,000
Trade and other receivables	30,482	50,346
Bank and cash balances	148,262	151,081
	<b>183,744</b>	206,427
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost		
Trade and other payables	6,189	8,506

##### (f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

#### 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

##### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### (a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimation is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

(b) *Intangible assets*

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. This estimation is based on the contractual terms of the intangible assets. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(d) *Impairment of property, plant and equipment and intangible assets*

Determining whether ATM's plant and machinery, leasehold improvements, furniture, fixtures and office equipment and customer contracts (collectively referred to as the "ATM's cash-generating units") are impaired requires an estimation of the recoverable amount of the ATM's cash-generating units to which these assets have been allocated. The fair value less costs to sell calculation requires the Group to estimate the future cash flows expected to arise from the ATM's cash-generating units and a suitable discount rate in order to calculate the present value. In arriving at the future cash flows of the ATM's cash-generating units, the directors have to make reasonable estimates and assumptions of the future deployment of the ATMs based on existing and future customers contracts and business operational plan.

The carrying amounts of the ATM's plant and machinery, leasehold improvements, furniture, fixtures and office equipment and customer contracts at the end of the reporting period were approximately HK\$16,252,000 and HK\$13,364,000 respectively (2010: HK\$25,488,000 and HK\$20,935,000) after impairment losses of approximately HK\$1,964,000 and HK\$4,921,000 respectively were recognised during the year ended 31 December 2011 (2010: HK\$6,411,000 and HK\$3,266,000). Details of the impairment losses calculation are provided in notes 16 and 17 to the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 6. TURNOVER

The Group's turnover is as follows:

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Provision of ATM services	<b>13,519</b>	12,028

### 7. OTHER INCOME AND GAINS

	<b>2011</b>	2010
	<b>HK\$'000</b>	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	<b>4,755</b>	2,213
Net foreign exchange gains	–	842
Others	<b>26</b>	56
	<b>4,781</b>	6,829

### 8. FINANCE COSTS

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Finance lease charges	<b>159</b>	–
Interest expenses on bank overdrafts	<b>23</b>	–
Interest expenses on convertible bonds (note 23)	–	1,172
	<b>182</b>	1,172

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 9. INCOME TAX CREDIT

	2011 HK\$'000	2010 HK\$'000
<b>Current tax – PRC corporate income tax</b>		
Provision for the year	–	(13)
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 26)	1,406	1,319
	<b>1,406</b>	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%).

The reconciliation between the income tax credit and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2011 HK\$'000	2010 HK\$'000
Loss before tax	(48,214)	(70,297)
Tax at the income tax rate of 16.5%	(7,955)	(11,599)
Tax effect of non-deductible expenses	12,368	19,807
Tax effect of non-taxable income	(6,775)	(10,693)
Tax effect of temporary differences not recognised	(448)	1,107
Tax effect of tax losses not recognised	1,956	68
Utilisation of tax loss previously not recognised	(60)	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	(492)	4
Income tax credit	<b>(1,406)</b>	(1,306)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 10. LOSS FOR THE YEAR

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

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Amortisation of intangible assets	<b>3,598</b>	3,973
Auditor's remuneration	<b>1,196</b>	1,081
Depreciation	<b>12,270</b>	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)	<b>450</b>	(842)
Operating lease charges in respect of land and buildings and ATM deployment	<b>4,890</b>	5,275
Impairment losses on other receivables	<b>1,843</b>	123
Staff costs including directors' emoluments		
Salaries and other benefits	<b>15,478</b>	15,271
Retirement benefits scheme contributions	<b>659</b>	751
	<b>16,137</b>	16,022
Written off of property, plant and equipment	<b>177</b>	1,216

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director are as follows:

	Fees HK\$'000	Salaries HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Sze Wai, Marco	–	1,200	12	1,212
Song Jing Sheng	–	720	12	732
Tan Shu Jiang	–	720	12	732
<b>Independent non-executive directors</b>				
Chong Yiu Kan, Sherman	120	–	–	120
Mao Zhenhua	120	–	–	120
Wong Po Yan	120	–	–	120
Total for 2011	360	2,640	36	3,036

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

	Fees HK\$'000	Salaries HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
Sze Wai, Marco	–	1,200	12	1,212
Song Jing Sheng	–	720	12	732
Tan Shu Jiang	–	720	12	732
<b>Independent non-executive directors</b>				
Chong Yiu Kan, Sherman	120	–	–	120
Mao Zhenhua	120	–	–	120
Wong Po Yan	120	–	–	120
<b>Total for 2010</b>	<b>360</b>	<b>2,640</b>	<b>36</b>	<b>3,036</b>

The five highest paid individuals in the Group during the year included three (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2010: two) individuals are set out below:

	2011 HK\$'000	2010 HK\$'000
Salaries and other benefits	2,160	2,237
Retirement benefit scheme contributions	24	24
	<b>2,184</b>	<b>2,261</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	1	2

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group. The Group paid no compensation for loss of office to the directors or the five highest paid individuals for the year ended 31 December 2011 (2010: Nil). No director had waived or agreed to waive any emoluments during the years ended 31 December 2011 and 2010.

## 12. DIVIDENDS

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

## 13. 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.

## 14. 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 consolidated 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 Financial Officer (“CFO”) in Hong Kong.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 14. SEGMENT INFORMATION (Continued)

### (a) Geographical information

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

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

### (b) Revenue from major customers

	2011 HK\$'000	2010 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 15. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income for the year:

	2011			2010		
	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000	Amount before tax HK\$'000	Tax HK\$'000	Amount after tax HK\$'000
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	11,486	-	11,486	6,420	-	6,420
Reclassification adjustment for deregistration of a subsidiary included in profit or loss	-	-	-	(41)	-	(41)
Other comprehensive income	11,486	-	11,486	6,379	-	6,379

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation:</b>						
At 1 January 2010	630	4,511	77,915	6,509	5,848	95,413
Exchange adjustments	-	92	2,657	126	130	3,005
Additions	-	1,666	52	812	728	3,258
Disposal	(630)	-	(1,351)	(121)	-	(2,102)
Written off	-	(2,209)	-	(587)	-	(2,796)
At 31 December 2010	-	4,060	79,273	6,739	6,706	96,778

The analysis of the cost or valuation of the above assets at 31 December 2010 is as follows:

At cost	-	4,060	79,273	6,739	6,706	96,778
At valuation	-	-	-	-	-	-
	-	4,060	79,273	6,739	6,706	96,778

At 1 January 2011	-	4,060	79,273	6,739	6,706	96,778
Exchange adjustments	-	109	4,714	209	250	5,282
Additions	-	73	229	32	5,741	6,075
Written off	-	(182)	(422)	-	-	(604)
At 31 December 2011	-	4,060	83,794	6,980	12,697	107,531

The analysis of the cost or valuation of the above assets at 31 December 2011 is as follows:

At cost	-	4,060	83,794	6,980	12,697	107,531
At valuation	-	-	-	-	-	-
	-	4,060	83,794	6,980	12,697	107,531

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Accumulated depreciation and impairment:</b>						
At 1 January 2010	12	3,311	37,275	5,013	3,525	49,136
Exchange adjustments	-	63	1,194	122	57	1,436
Charge for the year	-	671	9,292	582	920	11,465
Impairment losses	-	18	6,363	30	-	6,411
Disposal	(12)	-	(326)	(54)	-	(392)
Written off	-	(1,270)	-	(310)	-	(1,580)
At 31 December 2010	-	2,793	53,798	5,383	4,502	66,476
At 1 January 2011	-	2,793	53,798	5,383	4,502	66,476
Exchange adjustments	-	94	2,401	181	170	2,846
Charge for the year	-	463	9,718	445	1,644	12,270
Impairment losses	-	-	1,964	-	-	1,964
Written off	-	(152)	(275)	-	-	(427)
At 31 December 2011	-	3,198	67,606	6,009	6,316	83,129
<b>Carrying amount:</b>						
At 31 December 2011	-	862	16,188	971	6,381	24,402
At 31 December 2010	-	1,267	25,475	1,356	2,204	30,302

The Group carried out reviews of the recoverable amount of its ATM's machineries in plant and machinery, leasehold improvements and furniture, fixtures and office equipment 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. These assets are used 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 located selection strategy of ATM deployment, this led to the recognition of impairment losses of approximately HK\$1,964,000 (2010: HK\$6,411,000), that has been recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

At 31 December 2011, the carrying amount of motor vehicles held by the Group under finance leases amounted to HK\$4,975,000 (2010: HK\$ Nil).

## 17. INTANGIBLE ASSETS

	<b>Customer contracts</b> <i>HK\$'000</i>
<b>Cost:</b>	
At 1 January 2010	51,062
Exchange adjustments	1,602
At 31 December 2010 and 1 January 2011	52,664
Exchange adjustments	2,866
<b>At 31 December 2011</b>	<b>55,530</b>
<b>Accumulated amortisation and impairment:</b>	
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
<b>At 31 December 2011</b>	<b>42,166</b>
<b>Carrying amount:</b>	
<b>At 31 December 2011</b>	<b>13,364</b>
At 31 December 2010	20,935

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 17. INTANGIBLE ASSETS (Continued)

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 impairment losses 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.

### 18. 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
		<b>31,797</b>	50,824

Note:

- (a) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 18. TRADE AND OTHER RECEIVABLES (Continued)

Note: (Continued)

(a) (Continued)

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
	<b>1,845</b>	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 HK\$'000	2010 HK\$'000
At 1 January	–	6,062
Amounts written off	–	(6,062)
At 31 December	–	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 18. TRADE AND OTHER RECEIVABLES (Continued)

Note: (Continued)

(b) (Continued)

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 HK\$'000	2010 HK\$'000
3 months to 12 months	466	627
Over 1 year	14	40
	<b>480</b>	667

### 19. PLEDGED BANK DEPOSIT AND BANK AND CASH BALANCES

The Group's pledged bank deposit represented deposit pledged to a bank to secure banking facilities granted to the Group as set out in note 21 to the financial statements. The deposit is in HK\$ and at floating interest rate ranging from 0.06% p.a. to 0.18% p.a. (2010: 0.03% p.a. to 0.15% p.a.) and therefore are subject to cash flow interest rate risk.

As at 31 December 2011, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately of HK\$129,670,000 (2010: HK\$150,176,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

### 20. TRADE AND OTHER PAYABLES

	Note	2011 HK\$'000	2010 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
		<b>6,189</b>	8,809

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 20. TRADE AND OTHER PAYABLES (Continued)

Note:

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

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
1 to 3 months	<b>669</b>	282
3 months to 12 months	<b>444</b>	160
Over 1 year	<b>23</b>	1
	<b>1,136</b>	443

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

	<b>2011</b> <i>'000</i>	2010 <i>'000</i>
Renminbi	<b>3,422</b>	2,792
United States dollars	<b>–</b>	118

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

## 21. BANKING FACILITIES

At 31 December 2011, the Group had banking facilities totalling HK\$5,000,000 (2010: HK\$5,000,000) of which HK\$5,000,000 (2010: HK\$5,000,000) was secured by a charge over the Group's bank deposits of HK\$5,000,000 (2010: HK\$5,000,000).

At 31 December 2011, the banking facilities were not utilised (2010: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 22. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 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 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.

### 23. CONVERTIBLE BONDS

On 27 April 2010, the issue and placing of the convertible bonds with unlisted 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 23. CONVERTIBLE BONDS (Continued)

		Derivative assets	Derivative liabilities	Equity component	Liability component	Total
	Note	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 year	(c)	(6,883)	6,448	-	-	(435)
Conversion		13,180	(13,180)	(17,321)	(59,429)	(76,750)
Loss on conversion		923	-	-	-	923
<b>At 31 December 2010 and 2011</b>		-	-	-	-	-

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.

## 24. EMPLOYEE RETIREMENT BENEFITS

The Company and its Hong Kong subsidiaries operate Mandatory Provident Fund Schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employers and employees are each required to make contributions to the MPF schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the MPF schemes vest immediately.

The retirement benefits costs under the MPF schemes charged to the profit or loss during the year amounted to HK\$124,000 (2010: HK\$176,000).

The subsidiaries of the Group in the PRC other than Hong Kong participate in pension schemes organised by the respective municipal governments whereby they are required to pay annual contributions at the rates ranging from 15% to 33% (2010: 15% to 33%) of the standard wages determined by the relevant authorities in the PRC.

## 24. EMPLOYEE RETIREMENT BENEFITS *(Continued)*

Under the above schemes, retirement benefits of existing and retired employees are payable by the relevant PRC scheme administrators and the Group has no further obligations beyond the annual contributions.

The aggregate employers' contributions by the Group under the PRC pension schemes during the year amounted to HK\$535,000 (2010: HK\$575,000).

The Group does not operate any other schemes for retirement benefits provided to the Group's employees.

## 25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, 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 "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted for a period of ten years, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees, non-executive directors, any suppliers and customers of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company.

Pursuant to a resolution of an annual general meeting held on 30 June 2006, the total number of shares in respect of which options may be granted under the New Scheme and any other operative share option schemes of the Company is not permitted to exceed 10% of the aggregate nominal amount of the issued shares of the Company as at 30 June 2006. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

The offer for a grant of share options of the New Scheme may be accepted with 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and in any event not later than 10 years from the date of grant of share options subject to the provisions for early termination thereof.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options granted after 1 September 2001, the exercise price of the options shall not be lower than the highest of (i) the nominal value of the shares; (ii) the closing price of the shares on the Stock Exchange's daily quotations sheet on the date of offer of the options, which must be a trading day; and (iii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

At 31 December 2011, there were 41,100,000 share options granted which remained outstanding under the New and Old Schemes. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 41,100,000 additional ordinary shares of the Company and additional share capital of HK\$4,100,000 and share premium of HK\$6,524,000 (before share issue expenses).

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the share option schemes during the year:

Grantee	Date granted	Exercisable period	Note	Exercise price of options (note a, g) HK\$	Number of share options				
					Outstanding at 1.1.2011	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011
<b>Old Scheme</b>									
<b>Director</b>									
Sze Wai, Marco	14 May 2001	1 Oct 2001 – 2 Jun 2011	(b, g)	0.433	4,689,769	-	-	(4,689,769)	-
<b>Employees</b>									
	14 May 2001	1 Oct 2001 – 2 Jun 2011	(b, g)	0.433	334,983	-	-	(334,983)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Grantee	Date granted	Exercisable period	Note	Exercise price of options (note a, g) HK\$	Number of share options				
					Outstanding at 1.1.2011	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011
<b>New Scheme Directors</b>									
Song Jing Sheng	31 Oct 2006	1 May 2007 – 30 Oct 2016	(e)	0.250	2,000,000	-	-	-	2,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(f)	0.270	1,500,000	-	-	-	1,500,000
Sze Wai, Marco	31 Oct 2006	1 May 2007 – 30 Oct 2016	(e)	0.250	1,000,000	-	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(f)	0.270	1,500,000	-	-	-	1,500,000
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(f)	0.270	4,000,000	-	-	-	4,000,000
<b>Independent non-executive directors</b>									
Chong Yiu Kan, Sherman	31 Oct 2006	1 May 2007 – 30 Oct 2016	(e)	0.250	500,000	-	-	-	500,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(f)	0.270	1,500,000	-	-	-	1,500,000
Mao Zhenhua	31 Oct 2006	1 May 2007 – 30 Oct 2016	(e)	0.250	1,000,000	-	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(f)	0.270	1,500,000	-	-	-	1,500,000
Wong Po Yan	31 Oct 2006	1 May 2007 – 30 Oct 2016	(e)	0.250	1,000,000	-	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(f)	0.270	1,500,000	-	-	-	1,500,000
<b>Employees</b>									
	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	(c)	0.122	2,000,000	-	-	-	2,000,000
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	(d)	0.213	1,000,000	-	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	(f)	0.270	21,100,000	-	-	-	21,100,000
					46,124,752	-	-	(5,024,752)	41,100,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Notes:

- (a) The exercise price of the share options is subject to adjustment in the case of a rights or bonus issue, or other similar changes in the Company's share capital.
- (b) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 1 October 2001 and that the options may not be exercised in respect of more than 40% and 70% prior to the dates of 2 January 2002 and 2 January 2003 respectively. The exercise price and number of outstanding share options have been adjusted due to the completion of the rights issue with effect from 23 March 2006 (note g).
- (c) All of these options have duration of 10 years from the date of grant and the options can be exercised from the date of grant.
- (d) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 4 April 2007 and that the options may not be exercised in respect of more than 50% prior to 4 October 2007 respectively.
- (e) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised prior to the date of 1 May 2007 and that the options may not be exercised in respect of more than 50% prior to 1 November 2007 respectively.
- (f) All of these options have duration of 10 years from the date of grant, provided that the options can only be exercised from the date of 24 December 2009.
- (g) As a result of the completion of the rights issue on 23 March 2006, the outstanding share options granted and the exercise price thereof were adjusted as below:

Date granted	Note	Option			Exercise price	
		Before Adjustment	Adjustment	After adjustment	Before adjustment	After adjustment
					HK\$	HK\$
14 May 2001	(b)	8,950,000	3,042,409	11,992,409	0.580	0.433

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

The number and weighted average exercise price of the share options are as follows:

	2011		2010	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the year	46,124,752	0.278	52,834,653	0.283
Granted during the year	–	–	–	–
Lapsed during the year	(5,024,752)	0.433	(6,509,901)	0.32
Exercised during the year	–	–	(200,000)	0.27
Outstanding at the end of the year	41,100,000	0.259	46,124,752	0.278
Exercisable at the end of the year	41,100,000	0.259	46,124,752	0.278

There was no share options exercised during the year. The options outstanding at the end of the year have a weighted average remaining contractual life of 6.90 years (2010: 7.09 years) and the exercise prices range from HK\$0.122 to HK\$0.270 (2010: HK\$0.122 to HK\$0.433).

There was no share-based compensation costs recognised during the year (2010: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 26. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group.

	<b>Intangible assets</b> <i>HK\$'000</i>	<b>Revaluation of properties</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2010	4,528	125	4,653
Charged back to profit or loss for the year ( <i>note 9</i> )	(1,194)	(125)	(1,319)
Exchange adjustments	(10)	–	(10)
At 31 December 2010	<b>3,324</b>	–	<b>3,324</b>
At 1 January 2011	<b>3,324</b>	–	<b>3,324</b>
Charged back to profit or loss for the year ( <i>note 9</i> )	<b>(1,406)</b>	–	<b>(1,406)</b>
Exchange adjustments	<b>(18)</b>	–	<b>(18)</b>
At 31 December 2011	<b>1,900</b>	–	<b>1,900</b>

As at 31 December 2011, the Group has not recognised deferred tax assets in respect of cumulative tax losses and cumulative impairment losses of its ATM's machineries in plant and machinery, leasehold improvements and furniture, fixtures and office equipment of approximately HK\$48,851,000 and HK\$16,636,000 respectively (2010: HK\$52,782,000 and HK\$14,628,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of which approximately HK\$42,044,000 (2010: HK\$45,975,000) will expire within 5 years and the remaining cumulative tax losses of approximately HK\$6,807,000 (2010: HK\$6,807,000) do not expire under current tax legislation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 27. SHARE CAPITAL

	2011		2010	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<b>3,000,000</b>	<b>300,000</b>	3,000,000	300,000
Issued and fully paid:				
At 1 January	<b>2,138,085</b>	<b>213,808</b>	1,843,285	184,328
Exercise of share options (a)	–	–	200	20
On conversion of convertible bonds (b)	–	–	294,600	29,460
At 31 December	<b>2,138,085</b>	<b>213,808</b>	2,138,085	213,808

*Notes:*

- (a) In previous years, options to subscribe for 200,000 ordinary shares were exercised. The consideration received was HK\$54,000 of which HK\$20,000 was credited to share capital account and the balance of HK\$34,000 was credited to the share premium account. The amount of HK\$40,000 was transferred from share options reserve account to share premium account upon exercise of share options.
- (b) On 18 June 2010, the holders of Group's convertible bonds exercised their conversion rights and converted the convertible bonds at its par value of HK\$75,712,200 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.

All the shares issued by the Company rank *pari passu* and do not carry pre-emptive right.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Property, plant and equipment	<b>1,758</b>	2,327
Investments in subsidiaries	–	–
Amounts due from subsidiaries	<b>349,087</b>	387,112
Impairment losses on amounts due from subsidiaries	<b>(266,496)</b>	(290,404)
Other receivables	<b>29,389</b>	47,485
Bank and cash balances	<b>18,495</b>	779
Trade and other payables	<b>(2,100)</b>	(5,284)
<b>Net assets</b>	<b>130,133</b>	142,015
Share capital	<b>213,808</b>	213,808
Reserves	<b>(83,675)</b>	(71,793)
<b>Total equity</b>	<b>130,133</b>	142,015

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 29. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

#### (b) Company

	Share premium HK\$'000	Share option reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 January 2010	441,717	8,518	–	(519,613)	(69,378)
Total comprehensive loss for the year	–	–	–	(49,739)	(49,739)
Recognition of equity component of convertible bonds	–	–	17,321	–	17,321
Conversion of convertible bonds	47,290	–	(17,321)	–	29,969
Exercise of share options	74	(40)	–	–	34
Share options lapsed	–	(900)	–	900	–
Changes in equity for the year	47,364	(940)	–	(48,839)	(2,415)
At 31 December 2010	489,081	7,578	–	(568,452)	(71,793)
At 1 January 2011	<b>489,081</b>	<b>7,578</b>	–	<b>(568,452)</b>	<b>(71,793)</b>
Total comprehensive loss for the year	–	–	–	<b>(11,882)</b>	<b>(11,882)</b>
Changes in equity for the year	–	–	–	<b>(11,882)</b>	<b>(11,882)</b>
At 31 December 2011	<b>489,081</b>	<b>7,578</b>	–	<b>(580,334)</b>	<b>(83,675)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 29. RESERVES (Continued)

### (c) Nature and purposes of reserves

(i) *Share premium*

Under the Companies Act 1981 of Bermuda (as amended), the funds in the share premium account are distributable in the form of fully paid bonus shares.

(ii) *Share option reserve*

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to executive directors, employees and non-executive directors of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(p) to the consolidated financial statements.

(iii) *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(c) to the consolidated financial statements.

## 30. MAJOR NON-CASH TRANSACTION

Additions to property, plant and equipment during the year of HK\$4,500,000 (2010: HK\$Nil) were financed by finance leases.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 31. COMMITMENTS

#### (a) Lease commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within one year	<b>5,980</b>	4,821
In the second to fifth years inclusive	<b>1,795</b>	2,475
	<b>7,775</b>	7,296

Operating lease payments represent rentals payable by the Group for its offices and ATM deployment. Leases are negotiated for a range of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

#### (b) Capital commitments

The Group's capital commitments at the end of the reporting period are as follows:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Property, plant and equipment Contracted but not provided for	–	4,360

### 32. CONTINGENT LIABILITIES

At 31 December 2011 and 2010, the Group did not have any significant contingent liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 33. MATERIAL RELATED PARTY TRANSACTIONS

- (a) Included in the trade and other payables is the following balance with a related party:

	2011 HK\$'000	2010 HK\$'000
Included in the trade and other payables		
<b>A director</b>		
– Sze Wai, Marco	1	313

The above balance due is interest free, unsecured and has no fixed terms of repayment.

- (b) Compensation of key management personnel of the Group:

	2011 HK\$'000	2010 HK\$'000
Salaries and other benefits	4,200	4,197
Retirement benefit scheme contributions	48	48
	<b>4,248</b>	4,245

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 34. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2011 are as follows:

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage		Issued and paid up/ registered capital	Principal activities
		Direct	Indirect		
Win Perfect Limited	British Virgin Islands ("BVI")	100	–	US\$11,000	Investment holding
Stepping Stones Limited	BVI	–	100	US\$11,000	Investment holding
Kayford Investment Limited	BVI	–	100	US\$1	Investment holding
Emperor Dragon International Limited	BVI	–	100	US\$500	Investment holding
Maxing Investment Limited	BVI	100	–	US\$1	Dormant
China Star Group (Hong Kong) Corporation Limited	Hong Kong	–	100	HK\$100,000	Dormant
Fortune Jet International Limited	Hong Kong	–	100	HK\$10,000,000	Investment holding
Smart Goal Development Limited	Hong Kong	–	100	HK\$1	Dormant
Start Technology (Beijing) Co., Ltd. (note a)	PRC	–	100	RMB10,000,000	Dormant
Beijing Sun Leader Technology Co., Ltd. (note a)	PRC	–	100	RMB60,000,000	Provision of ATMs services
Loten Technology Co., Ltd. (note a)	PRC	–	100	RMB50,000,000	Dormant
Shenzhen FinTronics Information Services Ltd. (note b)	PRC	–	100	RMB5,000,000	Provision of ATMs services

Notes:

- (a) These are wholly foreign-owned companies established in the PRC.
- (b) This is a domestic limited liability company established in the PRC.

### 35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2012.

# FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2011

	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Results</b>					
Turnover	<b>13,519</b>	12,028	11,876	13,013	66,505
Loss from ordinary activities before tax	<b>(48,214)</b>	(70,297)	(83,798)	(98,915)	(27,480)
Income tax credit	<b>1,406</b>	1,306	2,042	165	881
Loss from ordinary activities after tax	<b>(46,808)</b>	(68,991)	(81,756)	(98,750)	(26,599)
Non-controlling interests	–	–	–	–	455
Loss attributable to equity holders	<b>(46,808)</b>	(68,991)	(81,756)	(98,750)	(26,144)
<b>Assets and liabilities</b>					
Property, plant and equipment	<b>24,402</b>	30,302	48,430	72,395	75,491
Available-for-sale financial assets	–	–	–	1,229	–
Goodwill	–	–	–	–	48,928
Intangible assets	<b>13,364</b>	20,935	27,442	37,861	40,614
Pledged bank deposits	<b>5,000</b>	5,000	5,000	5,000	29,646
Net current assets	<b>173,052</b>	193,096	155,598	247,494	251,849
Total assets less current liabilities	<b>215,818</b>	249,333	236,470	363,979	446,528
Non-current liabilities	<b>(5,131)</b>	(3,324)	(4,653)	(58,528)	(49,277)
	<b>210,687</b>	246,009	231,817	305,451	397,251
Share capital	<b>213,808</b>	213,808	184,328	184,128	184,128
Reserves	<b>(3,121)</b>	32,201	47,489	121,323	213,123
	<b>210,687</b>	246,009	231,817	305,451	397,251
Loss per share (cents)					
Basic	<b>(2.19)</b>	(3.45)	(4.44)	(5.36)	(1.60)
Diluted	<b>(2.19)</b>	(3.45)	(4.44)	(5.36)	(1.60)