FinTronics

銀創控股

FINTRONICS HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706

Annual Report 2008

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Corporate Information

DIRECTORS

Executive Directors

**Mr. Sze Wai, Marco *(Chairman)*
*Mr. Chu Chi Shing *(Chief Executive Director)*
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
41st 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

PRINCIPAL BANKERS

Bank of Communications Company 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

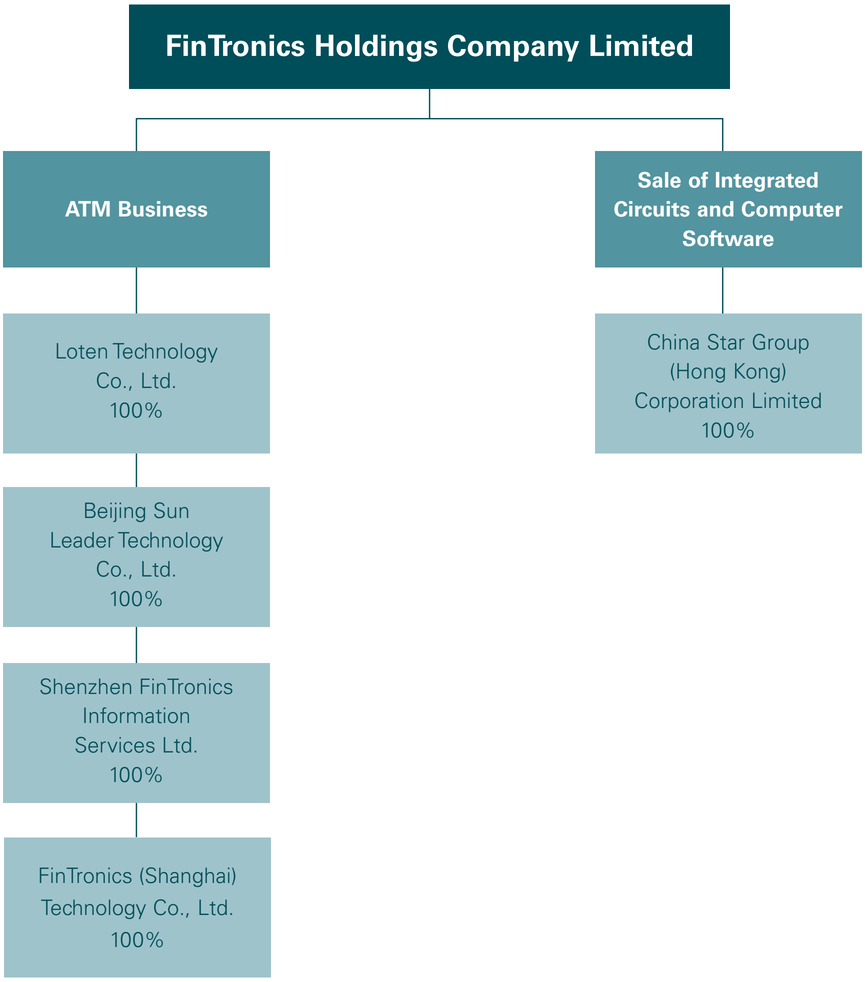
Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

* *Mr. Chu Chi Shing has resigned as Executive Director and Chief Executive Officer on 2 February 2009.*
** *Mr. Sze Wai, Marco has been appointed as Chief Executive Officer on 2 March 2009.*

Business Structure

At 31 December 2008

The following chart shows the principal members of the FinTronics Holdings Company Limited and its principal subsidiaries and their respective business activities as at 31 December 2008:



Chairman's Statement

To our shareholders

The global financial crisis that has swept across the world has brought severe challenges never seen before to the global economy with no exception to the Chinese economy. As for the Group, although it has a strong foundation as a first mover in the e-payment service market in China, development of its business during the year was still affected by the sharp plunge of the financial market.

During the year under review, the Group continued to apply its outstanding ability in selecting locations to facilitate strategic deployment in important economic centres including Beijing, Shenzhen and Shandong. Armed with advanced technical support, extensive operational experience and good customer relations, we carefully expanded the deployment and scale of existing cooperation projects. We also maintained close liaison and communication with potential client to prepare for forging new business partnerships at the right time.

In the long run, China will become a pillar of the global economy. Thus, the management is confident of the development prospects of the Chinese economy and financial market. With abundant financial resources, the Group will look for better development opportunities and implement business development strategies carefully taking reference of market conditions. These moves will ensure sustainable growth of our ATM business. As always, our ultimate goal is to deliver substantial value to shareholders.

APPRECIATION

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

Sze Wai, Marco
Chairman and Chief Executive Officer

Hong Kong, 22 April 2009

Management Discussion and Analysis

BUSINESS REVIEW

To ensure the smooth staging of the 2008 Beijing Olympics, the Chinese government implemented a series of security measures including restriction on the introduction of new financial services, which affected the business of the Group directly. The measure led to delay of partner banks of the Group to begin construction of self-service financial services and expand their ATM networks in cities such as Beijing, Shanghai, Tianjin, Shenyang and Qingdao, etc.

Although the financial market in China was not directly hit by the global financial crisis which started in the second half of 2008, uncertainties in the market and reservation of investors has led to contracted financial activities and in turn more harm to its ATM business.

Facing the tough time, the Group shifted the focus of its business expansion strategy on to strengthening cooperation with existing customers. At the same time, it also kept communicating with potential customers expressing its strong desire for cooperation so as to prepare to forge formal partnership at opportune time.

In addition, during the year under review, the Group made good progress in reviewing the location selection strategy of ATM, reinforcing the support system and maintenance service capabilities and thus enhanced management of its ATM business.

PROSPECTS

In recent years, retail banking business and bank card business have been growing continuously in China. According to the statistics of China Unionpay, there were 160,000 ATMs installed in the country in 2008, yet the number was still way below those of developed countries, which means the China ATM market has huge development potential. Also, the independent UK research company Retail Banking Research stated in its "Global ATM Market and Forecasts for 2013" report that in the Asia Pacific Region, which accounted for around 1/3 of the global ATM market, the China market has been the fastest growing at double-digit rates in recent years.

The rate at which ATMs are installed has no doubt changed the market landscape making it more and more competitive. To meet the challenges and enhance competitiveness, the Group will strive to improve operational efficiency, optimize technical support and services, and develop value-added service business.

Looking ahead, the Group will maintain its stringent location selection strategy and adopt a prudent approach in taking its business forward. It will also seek to innovate in developing operation mode of its ATM business backed by the consensus it has reached with a number of partner banks and China Unionpay on development of ATM value-added services. The high value-adding services in its development plan include utility bill payment, mobile phone top-up, dispensing of lottery wins and advertising, etc. to increase revenue from transaction handling.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had cash and bank balances of HK$254.6 million (2007: HK$259.2 million) of which HK$5 million (2007: HK$29.6 million) were pledged to a bank for facilities granted to the Group.

Management Discussion and Analysis

The Group had loans and overdraft amounting HK$52.6 million (2007: HK$62.1 million) as at 31 December 2008. As at 31 December 2008, the total asset value of the Group was HK$373 million (2007: HK$481.4 million) whereas the total liabilities was HK$67.6 million (2007: HK$84.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 18.1% (2007: 17.5%).

As at 31 December 2008, the Group had available aggregate banking facilities of HK$5 million (2007: HK$67 million) of which HK$5 million (2007: HK$62.1 million) has not been utilised.

Assets charged as security for banking facilities included bank deposits totalling HK$5 million (2007: HK$29.6 million and investment properties of the Group valued at HK$2.7 million) as at 31 December 2008.

The Group maintained a net cash (being the total cash and bank balances net of total borrowings) to equity ratio of 66.1% (2007: net cash to equity ratio of 51.8%) as at 31 December 2008. With net cash of HK$202 million (2007: net cash of HK$197.1 million) as at 31 December 2008, the Group's liquidity position has improved significantly and the Directors of the Group believe that the Company has sufficient financial resources to satisfy its commitments and working capital requirements.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have contingent liabilities in connection with performance bonds for suppliers (2007: HK$1,638,000).

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 2008, the Group had approximately 58 (2007: 112) employees of which approximately 10 (2007: 28) were technicians and engineers. Employees' costs (including directors' emoluments) amounted to approximately HK$16.6 million (2007: HK$22.9 million) for the year. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

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

The Company operates a share option scheme (the "Scheme") whereby the Board may at their absolute discretion, grant options to employees and Executive Directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme. During the year no share options were granted to directors, executives, employees and consultants to their contribution to the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sze Wai, Marco, aged 43, is the Chairman of the Company. He joined the Group in February 2001. Mr. Sze has over 17 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. Chu Chi Shing, aged 41, is an Executive Director and Chief Executive Officer of the Company. He joined the Group in June 1998. Mr. Chu graduated from Shanghai Jiaotong University with a bachelor degree in Computer Science. Mr. Chu has extensive experience in the computer industry. He is responsible for the Group's business operations and also responsible for the implementation of the Group's business strategies and policies and investors' relationship. He left the Group in February 2009.

Mr. Robert Kenneth Gaunt, aged 47, has extensive experience in the Financial Services, ATM ISO industry. After joining the Group, Mr. Gaunt will be responsible for overseeing the strategic growth of the ATM related business of the Group in the PRC. Mr. Gaunt has spent the last seven years owning and building ATM ISO companies in Australia. As a previous owner of Electronic Banking Solutions Pty Limited ("EBS") (at the time Australia's largest ATM ISO company), Mr. Gaunt was instrumental in the merger of EBS with Cashcard Australia Limited. He joined the Group in December 2006 and left the Group in May 2008.

Mr. Robertus Martinus Andreas Broers, aged 48, has extensive experience in ATM ISO industry. Mr. Broers will be responsible for overseeing the operations and business development areas of the ATM related business of the Group in the PRC. Mr. Broers has spent the last six years running various ATM ISO companies. After spending two years as the General Manager of EBS in Australia, Mr. Broers spent two years heading up the ATM Division of Pulse International Pty Limited, then one of two independent device driving and electronic fund transfer transaction switching companies in Australia. Until his move to the Company, Mr. Broers was General Manager Operations of Customers Limited Australia – Australia's second largest non-bank ATM network owner and operator. He joined the Group in December 2006 and left the Group in January 2008.

Mr. Song Jing Sheng, aged 50, 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 40, holds a bachelor degree of German Language from Shanghai International Studies University. Mr. Tan has over 12 years of experience in the sales and marketing, technical and general management in the information technology businesses. He is a director of Barwinstart Cultural Communication Co., Limited which is principally engaged in the operation of internet business in the People's Republic of China. He joined the Group in January 2007.

NON-EXECUTIVE DIRECTOR

Mr. Zee Zin Yee, aged 61, has extensive business, sales, marketing, engineering and manufacturing knowledge and experience around the world and specifically in China, Hong Kong, the United States, Canada, Scotland and Asia Pacific region. He retired from NCR Corporation in January 2004 after 34 years of services. The last position, prior to his retirement, Mr. Zee was the head of Vice President of Asia Pacific Region for NCR Retail Solutions Division (RSD) since October 2002. Mr. Zee joined Vending Data Corporation in October 2005 responsible for engineering and manufacturing until April 2008. He joined the Group in January 2007 and left the Group in May 2008.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Po Yan, *GBM, CBE, JP*, aged 86, 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), Allied Group Ltd. (Stock Code: 373), China Electronics Corporation Holdings Co. Ltd. (Stock Code: 85), Sinopac Kantons Holdings Ltd. (Stock Code: 934), and Alco Holdings Ltd. (Stock Code: 328), all the companies which are listed on the Main Board of the Stock Exchange.

Mr. Mao Zhenhua, aged 45, 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 Executive Officer of China Chengxin Credit Management Co., Ltd. and a director of Qinghai Huading Industrial Co., Ltd., a company listed on the Shanghai Stock Exchange. 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.

Mr. Chong Yiu Kan, Sherman, aged 45, 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. He has over 21 years of working experience in auditing, accounting, taxation and management consultancy. He is the sole proprietor of Sherman Chong & Co. (CPA). In the last three years, Mr. Chong was an independent non-executive director of China Fortune Group Limited (previously known as China Conservational Power Holdings Ltd.) (Stock Code: 290), a company which is listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Chan Ying Kay, aged 45, 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 20 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 financial statements of the Company and the Group for the year ended 31 December 2008.

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 37 to the financial statements.

The analysis of the principal activities and geographical locations of operations of the Company and its subsidiaries during the year are set out in note 15 to the financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2008 and the state of the Group's affairs as at that date are set out in the financial statements on pages 27 to 95.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2008.

FIVE YEARS 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 96.

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	47	Nil
Five largest customers in aggregate	88	Nil
The largest supplier	Nil	100
Five largest suppliers in aggregate	Nil	100

None of the Directors or their respective associates (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or shareholders who own more than 5% of the issued share capital of the Company had any interests in any of these major customers and suppliers.

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 2008 are set out in note 17 to the financial statements.

OTHER BORROWINGS

Particulars of other borrowings of the Group as at 31 December 2008 are set out in note 27 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the 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 2008, the Company has no reserve available for cash distribution (2007: Nil) as computed in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account of HK$440,649,000 (2007: HK$440,649,000) as at 31 December 2008 may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

Executive Directors

Mr. Sze Wai, Marco, *Chairman*	
Mr. Chu Chi Shing, *Chief Executive Officer*	(resigned on 2 February 2009)
Mr. Robert Kenneth Gaunt	(resigned on 9 May 2008)
Mr. Robertus Martinus Andreas Broers	(resigned on 16 January 2008)
Mr. Song Jing Sheng	
Mr. Tan Shu Jiang	

Non-executive Director

Mr. Zee Zin Yee (retired on 22 May 2008)

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) and (B), Mr. Mao Zhenhua, Mr. Wong Po Yan and Mr. Chong Yiu Kan, Sherman will retire by rotation at the forthcoming annual general meeting and being eligible, offers themselves for re-election.

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.

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

As at 31 December 2008, 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:

Name	**Name of company**	**Capacity**	**Number and class of securities** *(note 1)*
Sze Wai, Marco	The Company	Interest of controlled corporation *(note 2)*	714,869,906 ordinary shares (L) *(note 3)*
	The Company	Beneficial owner	5,689,769 ordinary shares (L) *(note 4)*
Chu Chi Shing	The Company	Beneficial owner	5,349,835 ordinary shares (L) *(note 4)*
Song Jing Sheng	The Company	Beneficial owner	34,000,000 ordinary shares (L)
	The Company	Beneficial owner	2,000,000 ordinary shares (L) *(note 4)*

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

(Continued)

Name	**Name of company**	**Capacity**	**Number and class of securities** *(note 1)*
Wong Po Yan	The Company	Beneficial owner	1,000,000 ordinary shares (L) *(note 4)*
Mao Zhenhua	The Company	Beneficial owner	1,000,000 ordinary shares (L) *(note 4)*
Chong Yiu Kan, Sherman	The Company	Beneficial owner	1,150,000 ordinary shares (L) *(note 5)*
	The Company	Interest of spouse	100,000 ordinary shares (L)

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, a company wholly owned by Sze Wai, Marco.

3. Included in these shares were (i) 474,869,906 issued shares held by Leading Value Industrial Limited and (ii) 240,000,000 shares which would be allotted and issued upon conversion of the Convertible Loan.

4. 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.

5. Included in these shares were (i) 650,000 issued shares and (ii) 500,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.

Report of the Directors

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

(Continued)

Save as disclosed above, as at 31 December 2008, 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.

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.

SHARE OPTION SCHEME *(Continued)*

The unexercised outstanding share options as at 31 December 2008 are as follows:

Grantee	Date granted	Exercisable period	Exercise price of options	Number of share options: Outstanding at 1.1.2008	Lapsed during the year	Outstanding at 31.12.2008
			HK$			
Old Scheme						
Directors						
Chu Chi Shing	16 Jun 1999	10 years	0.806	2,813,861	–	2,813,861
	28 Dec 1999	10 years	0.985	267,987	–	267,987
	14 May 2001	10 years	0.433	267,987	–	267,987
Sze Wai, Marco	14 May 2001	10 years	0.433	4,689,769	–	4,689,769
Employees	16 Jun 1999	10 years	0.806	1,046,489	(624,409)	422,080
	20 Dec 1999	10 years	0.843	133,993	–	133,993
	03 Jan 2000	10 years	1.075	696,766	(696,766)	–
	14 May 2001	10 years	0.433	2,344,884	–	2,344,884
New Scheme						
Directors						
Chu Chi Shing	31 Oct 2006	10 years	0.250	2,000,000	–	2,000,000
Song Jing Sheng	31 Oct 2006	10 years	0.250	2,000,000	–	2,000,000
Sze Wai, Marco	31 Oct 2006	10 years	0.250	1,000,000	–	1,000,000

Report of the Directors

SHARE OPTION SCHEME *(Continued)*

				Number of share options		
Grantee	**Date granted**	**Exercisable period**	**Exercise price of options**	**Outstanding at 1.1.2008**	**Lapsed during the year**	**Outstanding at 31.12.2008**
			HK$			
Independent Non-executive directors						
Chong Yiu Kan, Sherman	31 Oct 2006	10 years	0.250	500,000	–	500,000
Mao Zhenhua	31 Oct 2006	10 years	0.250	1,000,000	–	1,000,000
Wong Po Yan	31 Oct 2006	10 years	0.250	1,000,000	–	1,000,000
Employees	20 Mar 2006	10 years	0.122	2,000,000	–	2,000,000
	04 Oct 2006	10 years	0.213	3,000,000	–	3,000,000
	31 Oct 2006	10 years	0.250	500,000	–	500,000
	02 Jan 2007	10 years	0.285	2,400,000	(2,400,000)	–
				27,661,736	(3,721,175)	23,940,561

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 5.02 years (2007: 6.08 years) and the exercise prices range from HK$0.122 to HK$0.985 (2007: HK$0.122 to HK$1.075).

There was no share-based compensation costs recognised during the year (2007: HK$278,000).

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 2008, 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 *(Note 1)*	Capacity	Approximate percentage of interest
Leading Value Industrial Limited *(note 2)*	714,869,906 (L)	Beneficial owner	38.82
Wen Jian Zhu	100,000,000 (L)	Beneficial owner	5.43

Notes:

1. The letter "L" represents the entity's interests in the Shares.

2. Leading Value Industrial Limited is a company wholly owned by Sze Wai, Marco, who is an executive Director.

Save as disclosed above, as at 31 December 2008, 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.

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

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Report of the Directors

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 consolidated income statement amounted to HK$170,000 (2007: HK$280,000) 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 17% to 33% (2007: 17% 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.

The aggregate employers' contributions by the Group under the PRC pension schemes amounted to HK$441,000 (2007: HK$517,000) 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 ended 31 December 2008, there were no transactions which are required to be disclosed in accordance with announcement and reporting requirements under the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("Code on CG Practices") throughout the year ended 31 December 2008. Details of the Code adopted by the Company is set out in the section of Corporate Governance Report.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control 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 2008 with the Directors.

Report of the Directors

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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.

AUDITOR

The 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 of Directors of
FinTronics Holdings Company Limited

Sze Wai, Marco
Chairman

Hong Kong, 22 April 2009

Corporate Governance Report

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year. Below are the major corporate governance practices adopted by the Company with specific reference to the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in Appendix 10 of the Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's interim results and annual results that the Director cannot deal in the shares of the Company until after such results have been published.

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 six board meetings held during the year.

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

Executive Directors		**Attendance**	**Percentage**
Mr. Sze Wai, Marco		6/6	100%
Mr. Chu Chi Shing	(resigned on 2 February 2009)	6/6	100%
Mr. Robert Kenneth Gaunt	(resigned on 9 May 2008)	1/6	17%
Mr. Robertus Martinus Andreas Broers	(resigned on 16 January 2008)	N/A	N/A
Mr. Song Jing Sheng		6/6	100%
Mr. Tan Shu Jiang		4/6	67%
Non-executive Director			
Mr. Zee Zin Yee	(retired on 22 May 2008)	2/6	33%
Independent Non-executive Directors			
Mr. Wong Po Yan		4/6	67%
Mr. Mao Zhenhua		4/6	67%
Mr. Chong Yiu Kan, Sherman		4/6	67%

Corporate Governance Report

THE BOARD OF DIRECTORS *(Continued)*

The Managing Director of the Company performs the function of chairman and is responsible for leadership and management of the Board, the overall corporate direction, corporate strategy and policy making of the group. The Company's Chief Executive Officer is responsible for overall management, business development, implementation of strategy and policy in achieving the overall commercial objectives. The roles of the Managing Director and the Chief Executive Officer are distinctive. Also, there were no special relationship (including financial, business, family or other material/relevant relationships) among existing members of the Board and in particular, between the Managing Director and the Chief Executive Officer.

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:–

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

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.

NOMINATION COMMITTEE *(Continued)*

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:–

Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Mao Zhenhua *(Chairman)*	1/1	100%
Mr. Wong Po Yan	1/1	100%
Mr. Chong Yiu Kan, Sherman	1/1	100%
Executive Director		
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$1,310,000 and fee for non-audit related activities amounted to HK$50,000.

AUDIT COMMITTEE

Under its terms of reference which are aligned with the code provisions set out in the Code, the Audit Committee is required to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Senior representatives of the external auditor, Executive Directors and senior executives are invited to attend the meetings, if required. None of the Audit Committee members are members of the former or existing employees of the Company.

AUDIT COMMITTEE *(Continued)*

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

Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Chong Yiu Kan, Sherman *(Chairman)*	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.

INVESTOR RELATIONS

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. Extensive information about the Group's activities is provided in its Annual Report and Accounts and Interim Report which are sent to shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the Stock Exchange website.

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.

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") set out on pages 27 to 95, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

Independent Auditor's Report

accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 2008 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, 22 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Continuing operations			
Turnover	6	**13,013**	60,505
Cost of sales		**(1,397)**	(50,493)
Gross profit		**11,616**	10,012
Other income	7	**16,524**	24,655
Administrative expenses		**(65,814)**	(61,191)
Other operating expenses		**(13,251)**	(3,529)
Loss from operations		**(50,925)**	(30,053)
Fair value gain on derivative component of convertible loan	27	**18,671**	11,921
Finance costs	8	**(14,901)**	(12,370)
Impairment losses on goodwill	19	**(51,760)**	–
Loss before tax		**(98,915)**	(30,502)
Income tax credit	9	**165**	881
Loss for the year from continuing operations		**(98,750)**	(29,621)
Discontinued operations			
Profit for the year from discontinued operations	10	**–**	3,022
Loss for the year	11	**(98,750)**	(26,599)
Attributable to:			
Equity holders of the Company		**(98,750)**	(26,144)
Minority interests		**–**	(455)
		(98,750)	(26,599)

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
(Loss)/profit per share			
From continuing and discontinued operations:			
Basic	14(a)	**(5.36) cents**	(1.60) cents
Diluted	14(a)	**N/A**	N/A
From continuing operations:			
Basic	14(b)	**(5.36) cents**	(1.81) cents
Diluted	14(b)	**N/A**	N/A
From discontinued operations:			
Basic	14(c)	**N/A**	0.21 cents
Diluted	14(c)	**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Fixed assets			
Investment properties	16	–	2,700
Property, plant and equipment	17	**70,240**	70,633
Prepaid land lease payments	18	**2,155**	2,158
		72,395	75,491
Goodwill	19	–	48,928
Intangible assets	20	**37,861**	40,614
Available-for-sale financial assets	21	**1,229**	–
Pledged deposits	25	**5,000**	29,646
		116,485	194,679
Current assets			
Trade and other receivables	22	**6,882**	57,154
Bank and cash balances	23	**249,639**	229,534
		256,521	286,688
Current liabilities			
Trade and other payables	24	**7,039**	14,337
Finance lease payables	26	–	536
Derivative component of convertible loan	27	**1,295**	19,966
Current tax liabilities		**693**	–
		9,027	34,839
Net current assets		**247,494**	251,849

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Total assets less current liabilities		**363,979**	446,528
Non-current liabilities			
Convertible loan	27	**51,345**	41,539
Finance lease payables	26	**–**	93
Deferred tax liabilities	30	**7,183**	7,645
		58,528	49,277
Net assets		**305,451**	397,251
Capital and reserves			
Share capital	31	**184,128**	184,128
Reserves		**121,323**	213,123
Total equity		**305,451**	397,251

Approved and authorised for issue by the Board of Directors on 22 April 2009

Sze Wai, Marco
Director

Tan Shu Jiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	General reserve	Share option reserve	Translation reserve	Warrants reserve	Property revaluation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	136,778	268,970	6,462	4,513	13,339	2,662	68	(225,629)	207,163	7,223	214,386
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	9,704	–	–	–	9,704	–	9,704
Private placing expenses	–	(9,292)	–	–	–	–	–	–	(9,292)	–	(9,292)
Net income recognised directly in equity	–	(9,292)	–	–	9,704	–	–	–	412	–	412
Loss for the year	–	–	–	–	–	–	–	(26,144)	(26,144)	(455)	(26,599)
Total recognised income and expense for the year	–	(9,292)	–	–	9,704	–	–	(26,144)	(25,732)	(455)	(26,187)
Share options benefits											
Exercise of share options	5,056	1,968	–	–	–	–	–	–	7,024	–	7,024
Transfer to share premium	–	2,818	–	(2,818)	–	–	–	–	–	–	–
Grant of share options	–	–	–	278	–	–	–	–	278	–	278
Warrants benefits											
Exercise of warrants	15,808	28,442	–	–	–	–	–	–	44,250	–	44,250
Transfer to share premium	–	2,070	–	–	–	(2,070)	–	–	–	–	–
Issue of shares by private placing	26,486	145,673	–	–	–	–	–	–	172,159	–	172,159
Transfer between reserves	–	–	(6,462)	–	–	–	–	6,462	–	–	–
Disposal of subsidiaries	–	–	–	–	(3,478)	–	–	–	(3,478)	(6,768)	(10,246)
Deregistration of subsidiaries	–	–	–	–	(4,413)	–	–	–	(4,413)	–	(4,413)
	47,350	171,679	(6,462)	(2,540)	1,813	(2,070)	–	(19,682)	190,088	(7,223)	182,865
At 31 December 2007	184,128	440,649	–	1,973	15,152	592	68	(245,311)	397,251	–	397,251

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	General reserve	Share option reserve	Translation reserve	Warrants reserve	Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	184,128	440,649	–	1,973	15,152	592	68	–	(245,311)	397,251	–	397,251
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(213)	–	(213)	–	(213)
Deferred tax liabilities arising on revaluation of buildings	–	–	–	–	–	–	11	–	–	11	–	11
Deficit on revaluation of buildings	–	–	–	–	–	–	(68)	–	–	(68)	–	(68)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	9,390	–	–	–	–	9,390	–	9,390
Net income recognised directly in equity	–	–	–	–	9,390	–	(57)	(213)	–	9,120	–	9,120
Loss for the year	–	–	–	–	–	–	–	–	(98,750)	(98,750)	–	(98,750)
Total recognised income and expense for the year	–	–	–	–	9,390	–	(57)	(213)	(98,750)	(89,630)	–	(89,630)
Deregistration of subsidiaries *(note 7)*	–	–	–	–	(2,037)	–	–	–	–	(2,037)	–	(2,037)
Share options lapsed	–	–	–	(278)	–	–	–	–	145	(133)	–	(133)
	–	–	–	(278)	7,353	–	(57)	(213)	(98,605)	(91,800)	–	(91,800)
At 31 December 2008	184,128	440,649	–	1,695	22,505	592	11	(213)	(343,916)	305,451	–	305,451

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Loss for the year		**(98,750)**	(26,599)
Adjustments for:			
Amortisation of intangible assets		**5,044**	4,825
Amortisation of prepaid land lease payments		**3**	3
Deficit on revaluation of property, plant and equipment		**57**	–
Depreciation		**11,661**	8,514
Fair value gain on derivative component of convertible loan		**(18,671)**	(11,921)
Gain on deregistration of subsidiaries		**(2,037)**	(9,080)
Gain on disposal of available-for-sale financial assets		**(625)**	–
Gain on disposal of investment property		**–**	(1,250)
Loss/(gain) on disposal of property, plant and equipment and prepaid land leases		**2,520**	(2,206)
Gain on disposal of subsidiaries		**–**	(5,831)
Impairment losses on goodwill		**51,760**	–
Impairment losses on trade and other receivables		**9,754**	1,648
Impairment losses on prepayments for investments		**–**	500
Income tax credit		**(165)**	(881)
Interest expenses		**14,901**	12,604
Interest income		**(4,735)**	(4,945)
Fair value gain on investment properties		**–**	(350)
Recognition of share-based payments		**–**	278
Reversal of impairment losses on recovery of trade receivables		**(2,573)**	–
Share options lapsed		**(133)**	–
Waiver of other payables		**–**	(961)
Written off of trade and other receivables		**759**	1,000
Written off of property, plant and equipment		**161**	–
Operating loss before changes in working capital		**(31,069)**	(34,652)
Increase in inventories		**–**	(3,297)
Decease/(increase) in trade receivables		**81**	(10,129)
Decrease in retentions receivable from customers		**–**	1,077
Decrease in gross amount due from customers for contract work		**–**	9,389
Decrease/(increase) in prepayments, deposits and other receivables		**42,251**	(47,371)
(Decrease)/increase in trade payables		**(396)**	1,580
(Decrease)/increase in bills payable		**(5,556)**	1,365
Decrease in gross amount due to customers for contract work		**–**	(2,163)
Increase in amount due to a director		**54**	458
(Decrease)/increase in other payables and accrued expenses		**(1,400)**	2,232
Decrease/(increase) in pledged deposits		**24,646**	(12,130)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash generated from/(used in) operations		**28,611**	(93,641)
Tax paid			
PRC income tax paid		**–**	(155)
Net cash generated from/(used in) operating activities		**28,611**	(93,796)
Investing activities			
Acquisition of available-for-sale financial assets		**(2,278)**	–
Proceeds from disposal of available-for-sale financial assets		**1,449**	–
Proceeds from disposal of subsidiaries, net of cash disposed of		**–**	(7,611)
Payments for purchases of property, plant and equipment		**(8,382)**	(25,923)
Proceeds from disposal of property, plant and equipment and prepaid land leases		**1,307**	4,896
Proceeds from disposal of investment properties		**–**	7,250
Interest received		**4,735**	4,945
Net cash used in investing activities		**(3,169)**	(16,443)
Financing activities			
Proceeds from issue of shares		**–**	223,433
Share issuance expenses		**–**	(9,292)
Repayment of bank loans		**–**	(30,903)
Repayment from finance lease obligations		**(629)**	(497)
Proceeds from issue of convertible loan		**–**	62,400
Interest paid		**(5,095)**	(1,578)
Net cash (used in)/generated from financing activities		**(5,724)**	243,563
Net increase in cash and cash equivalents		**19,718**	133,324
Effect of foreign exchange rates changes		**387**	219
Cash and cash equivalents at 1 January		**229,534**	95,991
Cash and cash equivalents at 31 December	*23*	**249,639**	229,534

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. 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 37 to the 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") that are relevant to its operations and effective for its accounting year beginning on 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, available-for-sale financial assets and derivative component of convertible loan which are carried at their fair values.

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 financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 fully 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 represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies 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.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

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

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated income statement.

Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement 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 the consolidated income statement as part of the profit or loss on disposal.

Goodwill and 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

Land and buildings held for own use are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other 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 expensed in the consolidated income statement during the period in which they are incurred.

Revaluation increases of land and buildings are recognised in the consolidated income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the property revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against property revaluation reserve directly in equity. All other decreases are recognised in the consolidated income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

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

- Land and buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.
- Leasehold improvements — 5 years
- Plant and machinery — 5-10 years
- Furniture, fixtures and office equipment — 3-5 years
- Motor vehicles — 5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

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 the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment properties

Investment properties are land and buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are included in the consolidated income statement for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the consolidated income statement.

(f) 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.

(g) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leases *(Continued)*

(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 consolidated balance sheet 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.

(h) Non-current assets held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Non-current assets held for sale and discontinued operations *(Continued)*

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(i) Systems integration contracts

When the outcome of a systems integration contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a systems integration contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Systems integration contracts in progress at the balance sheet date are recorded in the consolidated balance sheet at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated balance sheet as "Gross amount due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the balance sheet as "Gross amount due to customers for contract work". Progress billings not yet paid by the customer are included in the consolidated balance sheet under "Trade receivables". Amounts received before the related work is performed are included in the consolidated balance sheet under "Trade payables".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet 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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

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 the consolidated income statement.

(k) Available-for-sale financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the consolidated income statement. Impairment losses recognised in the consolidated income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the consolidated income statement if an increase in the fair value of instruments can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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 the consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement 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.

(m) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Convertible loans

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is re-measured at fair value at year end with gains and losses recognised in the consolidated income statement.

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

(q) 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.

(r) Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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.

Revenue from the sales of manufactured goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from individual systems integration contracts is recognised under the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for each contract. When the outcome of a systems integration contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable. Revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

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

Rental income is recognised on a straight-line basis over the lease term.

(t) 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 balance sheet date.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement 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.

(u) 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.

(v) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(x) 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 as reported in the consolidated income statement 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 balance sheet date.

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, and is accounted for using the balance sheet liability method. 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 each balance sheet date 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Taxation *(Continued)*

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 balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with 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.

(y) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets and receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, available-for-sale assets and 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 the consolidated income statement, 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 the consolidated income statement, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) 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.

(cc) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date 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, interest rate risk and price 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.

At 31 December 2008, if the Hong Kong dollar had weakened/strengthened 5% against the Renminbi with all other variables held constant, consolidated loss for the year would have been decreased/increased by HK$14,100,000 (2007: decreased/increased by HK$8,085,000). This is mainly attributable to the exposure outstanding on Renminbi inter-group current accounts with PRC subsidiaries at the year end.

(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 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts.

In this regard, the management considers 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.

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 2008, the Group has available unutilised general borrowing facilities of approximately HK$5,000,000 (2007: HK$62,143,000). Details of which are set out in note 25 to the financial statements.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008				
Amount due to a director	512	–	–	–
Convertible loan	4,992	67,392	–	–
Other payables and accrued expenses	6,312	–	–	–
Trade payables	215	–	–	–
At 31 December 2007				
Amount due to a director	458	–	–	–
Bills payable	5,556	–	–	–
Convertible loan	4,992	4,992	67,392	–
Finance lease payables	565	93	–	–
Other payables and accrued expenses	7,712	–	–	–
Trade payables	611	–	–	–

4. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 is also exposed to fair value interest rate risk in relation to convertible loan (see note 27 to the financial statements for details).

(e) Price risk

The Group is required to estimate the fair value of the conversion option embedded in the convertible loan at each balance sheet date with changes in fair value to be recognised in the consolidated income statement as long as the convertible loan is outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

The sensitivity analysis below has been determined based on the exposure to the Company's share price risks at the reporting date only as the management considers that the changes in market interest rate may not have significant financial impact on the fair value of conversion option.

If the Company's share price had been 5% higher/lower and all other variables were held constant, the Group's loss for the year (as a result of changes in fair value of conversion option component embedded in the convertible loan) would have been increased/decreased by HK$204,000 (2007: increased/decreased by HK$1,552,000).

(f) Fair values

Except as disclosed in note 27 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate to 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 balance sheet date, 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.

(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 affect the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

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

Key sources of estimation uncertainty *(Continued)*

(d) Fair value of derivative component of convertible loan

Convertible loan of the Group is presented into the derivative component and the liability component. This requires an initial recognition of the derivative component at its fair value and subsequent measurement at fair value determined by an option pricing model.

In assessing the fair value of the derivative component of convertible loan, the Binomial Model was used. The Binomial Model is one of the generally accepted methodologies used to calculate the fair value of the derivative component of convertible loan. The Binomial Model requires the input of subjective assumptions, including the expected dividend yield. Any changes in these assumptions can significantly affect the estimate of the fair value of the derivative component of the convertible loan.

6. TURNOVER

The Group's turnover is as follows:

	2008	2007
	HK$'000	*HK$'000*
Provision of ATM services	**11,603**	9,540
Sale of integrated circuits and computer software	**1,410**	50,965
Software development and systems integration services	**–**	6,000
	13,013	66,505
Representing:		
Continuing operations	**13,013**	60,505
Discontinued operations	**–**	6,000
	13,013	66,505

7. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Fair value gain on investment properties	**–**	350
Gain on deregistration of subsidiaries	**2,037**	9,080
Gain on disposal of available-for-sale financial assets	**625**	–
Gain on disposal of investment properties	**–**	1,250
Gain on disposal of property, plant and equipment and prepaid land leases	**–**	2,206
Government grants	**–**	50
Interest income	**4,735**	4,945
Net exchange gains	**6,544**	5,478
Rental income from investment properties	**–**	374
Reversal of impairment losses on recovery of trade receivables	**2,573**	–
Waiver of other payables	**–**	961
Others	**10**	108
	16,524	24,802
Representing:		
Continuing operations	**16,524**	24,655
Discontinued operations	**–**	147
	16,524	24,802

8. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Finance lease charges	**31**	69
Interest on bank loans and overdraft	**72**	1,509
Interest on convertible loan *(note 27)*	**14,798**	11,026
	14,901	12,604
Representing:		
Continuing operations	**14,901**	12,370
Discontinued operations	**–**	234
	14,901	12,604

9. INCOME TAX CREDIT

	2008 HK$'000	2007 HK$'000
Current tax – PRC Income tax		
Provision for the year	**(684)**	–
Deferred tax		
Origination and reversal of temporary differences *(note 30)*	**849**	881
	165	881

9. INCOME TAX CREDIT *(Continued)*

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2008 and 2007 as the Group did not generate any assessable profits arising in Hong Kong during the years.

Under the new enterprise income tax law of the PRC effective from 1 January 2008, the tax rate applicable to domestic-invested enterprises and foreign-invested enterprises has been standardised at 25%. For the year ended 31 December 2007, the tax rate applicable to disposed subsidiaries established and operating in the PRC is 33%.

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:

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before tax		
Continuing operations	**(98,915)**	(30,502)
Discontinued operations	**–**	3,022
	(98,915)	(27,480)
Tax at the income tax rate of 16.5% (2007: 17.5%)	**(16,321)**	(4,809)
Tax effect of non-deductible expenses	**27,837**	11,871
Tax effect of non-taxable income	**(11,102)**	(5,935)
Tax effect of temporary differences not recognised	**(5)**	–
Tax effect of temporary differences	**(17)**	–
Tax effect of tax losses not recognised	**777**	–
Utilisation of tax losses	**–**	(116)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(1,334)**	(1,892)
Income tax credit	**(165)**	(881)

10. DISCONTINUED OPERATIONS

Disposal of the systems integration services (the "SI operations")

In January 2007, the Group entered into an equity transfer agreement with an independent third party to dispose of SI operations, Star-tech (Fujian) Software and System Company Limited, Fuzhou Start Medical System Company Limited and Start-tech (Guangzhou) Medical Systems Company Limited, collectively the SI Companies, at a consideration of HK$14,330,000. The disposal of SI operations was consistent with the Group's long-term policy to focus its activities on the ATM business. The disposal was completed in February 2007 and the Group discontinued its SI operations.

The profit from the discontinued operations is analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss of discontinued operations	–	(2,809)
Gain on disposal of subsidiaries	–	5,831
	–	3,022

10. DISCONTINUED OPERATIONS *(Continued)*

Disposal of the systems integration services (the "SI operations") *(Continued)*

The results of the SI operations for the period from 1 January 2007 to 28 February 2007 which have been included in the consolidated income statement in 2007, are as follows:

	Period from 1/1/2007 to 28/2/2007 *HK$'000*
Turnover	6,000
Cost of sales	(4,802)
Gross profit	1,198
Other income	147
Gain on disposal of subsidiaries	5,831
Selling and distribution expenses	(1,621)
Administrative expenses	(2,253)
Finance costs	(234)
Other operating expenses	(46)
Profit before tax	3,022
Profit for the period	3,022

In 2007, the disposed subsidiaries paid approximately HK$9,537,000 in respect of operating activities, paid approximately HK$Nil in respect of investing activities and paid approximately HK$Nil in respect of financing activities.

No tax charge or credit arose on gain on disposal of the discontinued operations.

11. LOSS FOR THE YEAR

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

	2008	2007
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in administrative expenses)	**5,044**	4,825
Auditor's remuneration	**1,334**	1,683
Cost of inventories sold	**1,397**	55,295
Depreciation	**11,661**	8,514
Deficit on revaluation of property, plant and equipment (included in other operating expenses)	**57**	–
Net exchange gains	**(6,544)**	(5,478)
Fair value gain on investment properties	**–**	(350)
Gain on deregistration of subsidiaries	**(2,037)**	(9,080)
Gain on disposal of available-for-sale financial assets	**(625)**	–
Gain on disposal of investment properties	**–**	(1,250)
Gain on disposal of subsidiaries	**–**	(5,831)
Loss/(gain) on disposal of property, plant and equipment and prepaid land leases	**2,520**	(2,206)
Impairment losses on prepayments for investments (included in other operating expenses)	**–**	500
Impairment losses on trade and other receivables (included in other operating expenses)	**9,754**	1,648
Operating lease charges in respect of land and buildings and ATM deployment	**5,382**	4,336
Rental income from investment properties less direct outgoings (2007: HK$14,000)	**–**	(360)
Reversal of impairment losses on recovery of trade receivables	**(2,573)**	–
Staff costs including directors' emoluments		
Contributions to defined contribution schemes	**611**	797
Salaries, wages and other benefits	**16,156**	21,801
Equity settled share-based payments	**(133)**	278
	16,634	22,876
Written off of property, plant and equipment	**161**	–
Written off of trade and other receivables	**759**	1,000

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*
Executive directors			
Sze Wai, Marco	**1,201**	**12**	**1,213**
Chu Chi Shing *(note (a))*	**1,367**	**12**	**1,379**
Song Jing Sheng	**721**	**12**	**733**
Tan Shu Jiang	**721**	**12**	**733**
Robert Kenneth Gaunt *(note (b))*	**257**	**4**	**261**
Robertus Martinus Andreas Broers *(note (c))*	**59**	**–**	**59**
Non-executive director			
Zee Zin Yee *(note (d))*	**188**	**–**	**188**
Independent non-executive directors			
Chong Yiu Kan, Sherman	**120**	**–**	**120**
Mao Zhenhua	**120**	**–**	**120**
Wong Po Yan	**120**	**–**	**120**
Total for 2008	**4,874**	**52**	**4,926**

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Fees	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*
Executive directors			
Sze Wai, Marco	1,200	12	1,212
Chu Chi Shing *(note (a))*	1,365	12	1,377
Song Jing Sheng	720	12	732
Tan Shu Jiang	666	11	677
Gu Peijian *(note (e))*	25	1	26
Robert Kenneth Gaunt *(note (b))*	720	–	720
Robertus Martinus Andreas Broers *(note (c))*	1,365	–	1,365
Non-executive director			
Zee Zin Yee *(note (d))*	444	–	444
Independent non-executive directors			
Chong Yiu Kan, Sherman	120	–	120
Mao Zhenhua	120	–	120
Wong Po Yan	120	–	120
Total for 2007	6,865	48	6,913

Note:
- (a) Resigned on 2 February 2009
- (b) Resigned on 9 May 2008
- (c) Resigned on 16 January 2008
- (d) Retired on 22 May 2008
- (e) Resigned on 29 January 2007

The five highest paid individuals in the Group during the year included four (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2007: two) individual were as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries and allowances	**1,200**	2,400
Share-based payments	**–**	278
Retirement benefit scheme contributions	**12**	24
	1,212	2,702

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Nil – HK$1,000,000	**–**	–
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 or as compensation for loss of office (2007: HK$ Nil). No director has waived or agreed to waive any emoluments during the years ended 31 December 2008 and 2007.

13. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2008 and 2007.

14. (LOSS)/PROFIT PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss (2007: loss) per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK$98,750,000 (2007: HK$26,144,000) and the weighted average number of ordinary shares of 1,841,285,000 (2007: 1,633,388,000) in issue during the year.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2008 and 2007.

14. (LOSS)/PROFIT PER SHARE *(Continued)*

(b) From continuing operations

Basic loss per share

The calculation of basic loss (2007: loss) per share from continuing operations attributable to equity holders of the Company is based on the loss for the year from continuing operations attributable to equity holders of the Company of approximately HK$98,750,000 (2007: HK$29,621,000) and the denominator used is the same as that detailed above for basic loss per share.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2008 and 2007.

(c) From discontinued operations

Basic profit per share

For the year ended 31 December 2008, there is no discontinued operation. The calculation of basic profit per share from discontinued operations for the year ended 31 December 2007 is based on the profit attributable to equity holders of the Company of approximately HK$3,477,000 and the denominator used is the same as those detailed above for basic loss per share.

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2008 and 2007.

15. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group comprises the following main business segments:

Software development and systems integration services:	Development of application software and provision of systems integration services for specific industries.
Sale of integrated circuits and computer software:	Trading of integrated circuits and computer software.
Automatic teller machines services:	Provision of "automatic teller machines" services.

15. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

	Continuing operations						Discontinued operations			
	Sale of integrated circuits and computer software		Automatic teller machines services		Unallocated		Software development & systems integration services		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	1,410	50,965	11,603	9,540	–	–	–	6,000	13,013	66,505
Other income from external customers	–	–	9	–	–	–	–	147	9	147
	1,410	50,965	11,612	9,540	–	–	–	6,147	13,022	66,652
Segment results	1,118	(817)	(74,829)	(17,406)	–	–	–	(2,971)	(73,711)	(21,194)
Unallocated operating income and expenses	–	–	–	–	–	–	–	–	(10,303)	6,318
Loss from operations	–	–	–	–	–	–	–	–	(84,014)	(14,876)
Finance costs	–	–	–	–	–	–	–	–	(14,901)	(12,604)
Income tax credit	–	–	–	–	–	–	–	–	165	881
Minority interests	–	–	–	–	–	–	–	–	–	455
Loss attributable to equity holders									(98,750)	(26,144)
Impairment losses recognised in income statement	3,961	–	54,233	1,648	–	–	–	–		
Depreciation and amortisation charge for the year	379	311	16,000	12,364	–	–	–	–		
Segment assets	13,389	26,660	302,351	225,898	–	–	–	–	315,740	252,558
Unallocated assets	–	–	–	–	–	–	–	–	57,266	228,809
Total assets									373,006	481,367
Segment liabilities	(382)	(4,247)	(8,485)	(12,028)	–	–	–	–	(8,867)	(16,275)
Unallocated liabilities	–	–	–	–	–	–	–	–	(58,688)	(67,841)
Total liabilities									(67,555)	(84,116)
Capital expenditure incurred during the year	–	–	7,738	25,359	644	564	–	–	8,382	25,923

15. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments

The Group's principal markets are located in two main geographical areas:

The PRC – Software development and systems integration services

– Automatic teller machines services

Hong Kong – Sale of integrated circuits and computer software

	Continuing operations						Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	PRC	PRC	**Hong Kong**	Hong Kong	**Total**	Total	**PRC**	PRC		
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**11,603**	9,540	**1,410**	50,965	**13,013**	60,505	**–**	6,000	**13,013**	66,505
Segment assets	**302,435**	230,642	**70,571**	250,725	**373,006**	481,367	**–**	–	**373,006**	481,367
Capital expenditure incurred during the year	**7,738**	25,359	**644**	564	**8,382**	25,923	**–**	–	**8,382**	25,923

16. INVESTMENT PROPERTIES

	2008	2007
	HK$'000	*HK$'000*
Valuation:		
At 1 January	**2,700**	8,350
Transferred to property, plant and equipment *(note 17)*	**(2,700)**	–
Disposal	**–**	(6,000)
Fair value gain	**–**	350
At 31 December	**–**	2,700

The investment properties were revalued at 31 December 2007 on an open market value basis by reference to market evidence of recent transactions for similar properties by B.I. Appraisals Limited, an independent firm of chartered surveyors.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:						
At 1 January 2007	1,320	1,619	49,829	4,460	7,954	65,182
Exchange adjustments	–	80	4,144	157	84	4,465
Additions	–	2,591	21,284	2,048	–	25,923
Transferred	–	–	84	(84)	–	–
Disposal	(560)	–	–	(68)	–	(628)
Written off	–	(86)	–	(665)	(1,884)	(2,635)
At 31 December 2007	760	4,204	75,341	5,848	6,154	92,307
Representing:						
Cost	–	4,204	75,341	5,848	6,154	91,547
Valuation – 2007	760	–	–	–	–	760
	760	4,204	75,341	5,848	6,154	92,307
At 1 January 2008	760	4,204	75,341	5,848	6,154	92,307
Exchange adjustments	–	222	4,794	221	101	5,338
Additions	–	795	3,688	967	2,932	8,382
Transferred from investment properties *(note 16)*	2,700	–	–	–	–	2,700
Deficit on revaluation	(125)	–	–	–	–	(125)
Elimination on revaluation	(75)	–	–	–	–	(75)
Disposal	–	(258)	(3,895)	(460)	(420)	(5,033)
Written off	–	(187)	–	(62)	(2,920)	(3,169)
At 31 December 2008	3,260	4,776	79,928	6,514	5,847	100,325
Representing:						
Cost	–	4,776	79,928	6,514	5,847	97,065
Valuation – 2008	3,260	–	–	–	–	3,260
	3,260	4,776	79,928	6,514	5,847	100,325

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and 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
Accumulated depreciation:						
At 1 January 2007	39	1,619	3,561	3,740	6,398	15,357
Exchange adjustments	–	68	257	135	73	533
Charge for the year	30	420	7,194	332	538	8,514
Transferred	–	–	6	(6)	–	–
Disposal	(27)	–	–	(68)	–	(95)
Written off	–	(86)	–	(665)	(1,884)	(2,635)
At 31 December 2007	42	2,021	11,018	3,468	5,125	21,674
At 1 January 2008	42	2,021	11,018	3,468	5,125	21,674
Exchange adjustments	–	89	742	127	81	1,039
Charge for the year	88	681	9,388	747	757	11,661
Elimination on revaluation	(75)	–	–	–	–	(75)
Disposal	–	(63)	(657)	(66)	(420)	(1,206)
Written off	–	(62)	–	(26)	(2,920)	(3,008)
At 31 December 2008	55	2,666	20,491	4,250	2,623	30,085
Carrying amount:						
At 31 December 2008	3,205	2,110	59,437	2,264	3,224	70,240
At 31 December 2007	718	2,183	64,323	2,380	1,029	70,633

The Group's buildings held for own use in Hong Kong were revalued at 31 December 2008 and 2007 by an independent firm of surveyors, B.I. Appraisals Limited, on an open market value basis.

The carrying amount of the Group's buildings held for own use at 31 December 2008 would have been approximately HK$3,247,000 (2007: HK$635,310) had they been stated at cost less accumulated depreciation.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2008 the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately HK$Nil (2007: HK$1,029,000).

18. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong		
– long leases	**2,155**	2,158
	2,155	2,158

19. GOODWILL

	HK$'000
Cost:	
At 1 January 2007	122,629
Exchange adjustments	8,866
At 31 December 2007 and at 1 January 2008	131,495
Exchange adjustments	7,615
At 31 December 2008	139,110
Accumulated impairment losses:	
At 1 January 2007	77,000
Exchange adjustments	5,567
At 31 December 2007 and at 1 January 2008	82,567
Exchange adjustments	4,783
Impairment losses recognised	51,760
At 31 December 2008	139,110
Carrying amount:	
At 31 December 2008	–
At 31 December 2007	48,928

Goodwill arose in the business combination because the consideration paid for the combination effectively included amounts in relation to the benefits of expected revenue growth and future market development. The goodwill arising from the business combination is wholly allocated to the ATM business segment, a cash-generating unit, for impairment test. The recoverable amounts of the goodwill are determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the ATM business. The growth rates are based on long-term average economic growth rate of the geographical area in which the ATM business operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the ATM business in which it operates. The rate used to discount the cash flow forecasts of the ATM business is 17%.

19. GOODWILL *(Continued)*

During the year, the operating performance of the ATM business segment was dismal. In the opinion of the directors, it is uncertain that sufficient cash flow will be generated by the cash-generating unit in the foreseeable future to substantiate the carrying amount of the goodwill and, accordingly, a further impairment of approximately HK$51,760,000 (2007: HK$Nil) has been made and recognised in the current year's consolidated income statement, resulting in a full impairment of the goodwill as at 31 December 2008.

20. INTANGIBLE ASSETS

	Customer contracts *HK$'000*
Cost:	
At 1 January 2007	45,000
Exchange adjustments	3,254
At 31 December 2007 and 1 January 2008	48,254
Exchange adjustments	2,795
At 31 December 2008	51,049
Accumulated amortisation:	
At 1 January 2007	2,625
Amortisation for the year	4,825
Exchange adjustments	190
At 31 December 2007 and 1 January 2008	7,640
Amortisation for the year	5,044
Exchange adjustments	504
At 31 December 2008	13,188
Carrying amount:	
At 31 December 2008	37,861
At 31 December 2007	40,614

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 8 years. (2007: 9 years)

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008	2007
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	**260**	–
Listed outside Hong Kong	**969**	–
Market value of listed securities	**1,229**	–

The fair values of listed securities are based on quoted market prices.

22. TRADE AND OTHER RECEIVABLES

		2008	2007
	Note	***HK$'000***	*HK$'000*
Trade receivables	*(a)*	**4,116**	5,961
Prepayments, deposits and other receivables		**2,766**	51,193
		6,882	57,154

Note:

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

	2008	2007
	HK$'000	*HK$'000*
Current	**1,096**	4,147
1 to 3 months overdue	**425**	1,814
3 months to 12 months	**1,808**	–
Over 1 year	**787**	–
	4,116	5,961

Credit terms granted by the Group to the customers generally range from 30 days to 150 days. Trade receivables with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Note: (Continued)

(a) *(Continued)*

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

	2008 '000	2007 '000
Renminbi	**63**	196
United States dollars	**161**	649

(b) The movements in the allowance for impairment losses of trade receivables are as follows:

	2008 HK$'000	2007 HK$'000
At 1 January	**36,493**	34,755
Impairment losses recognised	**3,961**	1,648
Reversal of impairment losses on recovery of trade receivables	**(2,573)**	–
Exchange adjustments	**142**	90
At 31 December	**38,023**	36,493

The allowance for impairment losses was made for the impaired trade receivables which were mainly related to past due payments from customers, and the management considered that these trade receivables were irrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As of 31 December 2008, trade receivables of approximately HK$3,020,000 (2007: HK$1,814,000) were past due but not impaired. This was related to number of independent customers for whom there is with no recent history of default. The ageing analysis of the trade receivables is as follows:

	2008 HK$'000	2007 HK$'000
Up to 3 months	**425**	1,814
3 months to 12 months	**1,808**	–
Over 1 year	**787**	–
	3,020	1,814

23. BANK AND CASH BALANCES

	2008	2007
	HK$'000	HK$'000
Bank and cash balances	**249,639**	229,534

The effective interest rates on bank deposits at the balance sheet date are ranged from 0.08% to 3.00% per annum (2007: 1.00% to 3.61% per annum),

Included in bank and cash balances is amount of approximately HK$193,285,000 at 31 December 2008 (2007: HK$58,056,000), denominated in Renminbi ("RMB"). 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.

24. TRADE AND OTHER PAYABLES

	Note	2008	2007
		HK$'000	HK$'000
Trade payables	(a)	**215**	611
Bills payable	(a)	–	5,556
Other payables and accrued expenses		**6,312**	7,712
Amount due to a director	(c)	**512**	458
		7,039	14,337

Note:

(a) Included in trade and other payables are trade payables and bills payable with the following ageing analysis as of the balance sheet date:

	2008	2007
	HK$'000	HK$'000
Due within 3 months or on demand	**215**	5,714
Overdue 3 months to 1 year	–	453
	215	6,167

24. TRADE AND OTHER PAYABLES *(Continued)*

Note: (Continued)

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

	2008	2007
	'000	*'000*
Renminbi	**356**	1,129
United States dollars	**44**	413

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

25. BANKING FACILITIES

At 31 December 2008 the Group had banking facilities totalling HK$5,000,000 (2007: HK$67,000,000) of which HK$5,000,000 (2007: HK$67,000,000) was secured by a charge over the Group's fixed deposits with banks of HK$5,000,000 at 31 December 2008 (2007: HK$29,646,000 and investment properties of the Group valued at HK$2,700,000).

At 31 December 2008, no banking facilities were utilised (2007: HK$4,857,000).

26. FINANCE LEASE PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2008	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*
Within one year	**–**	565	**–**	536
In the second to fifth years, inclusive	**–**	93	**–**	93
	–	658	**–**	629
Less: Future finance charges	**–**	(29)	**–**	–
Present value of lease obligations	**–**	629	**–**	629
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	(536)
Amount due for settlement after 12 months			**–**	93

27. CONVERTIBLE LOAN

On 14 November 2006 the Company entered into a Subscription Agreement and a Loan Agreement with a shareholder of the Company, Customers Asia Limited ("CAL"), for the issue of a three-year 8% coupon convertible loan with a nominal value of HK$62,400,000. On 4 March 2008, Leading Value Industrial Limited ("LV"), CAL and the holding company of CAL, Customers Limited jointly entered into a Sales and Purchase Agreement (the "Agreement"). Pursuant to the Agreement, CAL would sell the entire convertible loan totalling HK$62.4 million to a related party wholly owned by LV, which is in turn wholly owned by a director, Mr. Sze Wai, Macro.

The convertible loan is convertible at the option of the holder into fully paid ordinary shares with a par value of HK$0.1 each of the Company on or after 5 February 2007 up to and including 4 February 2010 at an initial conversion price of HK$0.26 per share. Upon full conversion, the convertible note shall be converted into 240,000,000 ordinary shares of the Company.

The convertible loan contains two components, liability component and conversion option derivative.

The fair value of the derivative component was estimated at the issuance date using an option pricing model and the change in fair value of that component at year-end date was recognised in the consolidated income statement. The residual amount is assigned as the liability component.

	Liability component	Conversion option derivative	Total
	HK$'000	*HK$'000*	*HK$'000*
Convertible loan issued during the year	30,513	31,887	62,400
Interest charged *(note 8)*	11,026	–	11,026
Fair value gain for the year	–	(11,921)	(11,921)
At 31 December 2007	41,539	19,966	61,505
Interest charged *(note 8)*	14,798	–	14,798
Interest paid during the year	(4,992)	–	(4,992)
Fair value gain for the year	–	(18,671)	(18,671)
At 31 December 2008	51,345	1,295	52,640

27. CONVERTIBLE LOAN *(Continued)*

Fair value of conversion option derivative and assumptions

The estimate of the fair value of the conversion option derivative is measured based on the binomial model. Details of the assumptions of conversion option derivative are as follows:

Date of valuation	**31 December 2008**	31 December 2007
Share price (HK$)	**0.086**	0.185
Conversion price (HK$)	**0.26**	0.26
Volatility	**80.7%**	96.94%
Maturity period	**3 years**	3 years
Conversion period	**1-3 years**	1-3 years
Risk free rate of interest	**0.59%**	2.83%

The interest charged for the year is calculated by applying an effective interest rate of 40 per cent to the liability component for the twelve-month period.

The directors estimate the fair value of the liability component of the convertible loan at 31 December 2008 to be approximately HK$69,175,000 (2007: HK$67,888,000). This fair value has been calculated by discounting the future cash flows at the market rate.

28. 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 consolidated income statement during the year amounted to HK$170,000 (2007: HK$280,000).

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 17% to 33% (2007: 17% 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.

The aggregate employers' contributions by the Group under the PRC pension schemes during the year amounted to HK$441,000 (2007: HK$517,000).

28. EMPLOYEE RETIREMENT BENEFITS *(Continued)*

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

29. 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.

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.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

At 31 December 2008, there were 23,940,561 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 23,940,561 additional ordinary shares of the Company and additional share capital of HK$2,394,056 and share premium of approximately HK$6,636,000 (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, j) HK$	Number of share options: Outstanding at 1.1.2008	Lapsed during the year	Outstanding at 31.12.2008
Old Scheme							
Directors							
Chu Chi Shing	16 Jun 1999	10 years	*(b, j)*	0.806	2,813,861	–	2,813,861
	28 Dec 1999	10 years	*(d, j)*	0.985	267,987	–	267,987
	14 May 2001	10 years	*(e, j)*	0.433	267,987	–	267,987
Sze Wai, Marco	14 May 2001	10 years	*(e, j)*	0.433	4,689,769	–	4,689,769
Employees	16 Jun 1999	10 years	*(b, j)*	0.806	1,046,489	(624,409)	422,080
	20 Dec 1999	10 years	*(c, j)*	0.843	133,993	–	133,993
	03 Jan 2000	10 years	*(c, j)*	1.075	696,766	(696,766)	–
	14 May 2001	10 years	*(e, j)*	0.433	2,344,884	–	2,344,884
New Scheme							
Directors							
Chu Chi Shing	31 Oct 2006	10 years	*(h)*	0.250	2,000,000	–	2,000,000
Song Jing Sheng	31 Oct 2006	10 years	*(h)*	0.250	2,000,000	–	2,000,000
Sze Wai, Marco	31 Oct 2006	10 years	*(h)*	0.250	1,000,000	–	1,000,000

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Grantee	Date granted	Exercisable period	Note	Exercise price of options (note a, j) HK$	Number of share options: Outstanding at 1.1.2008	Lapsed during the year	Outstanding at 31.12.2008
Independent Non-executive directors							
Chong Yiu Kan, Sherman	31 Oct 2006	10 years	*(h)*	0.250	500,000	–	500,000
Mao Zhenhua	31 Oct 2006	10 years	*(h)*	0.250	1,000,000	–	1,000,000
Wong Po Yan	31 Oct 2006	10 years	*(h)*	0.250	1,000,000	–	1,000,000
Employees	20 Mar 2006	10 years	*(f)*	0.122	2,000,000	–	2,000,000
	04 Oct 2006	10 years	*(g)*	0.213	3,000,000	–	3,000,000
	31 Oct 2006	10 years	*(h)*	0.250	500,000	–	500,000
	02 Jan 2007	10 years	*(i)*	0.285	2,400,000	(2,400,000)	–
					27,661,736	(3,721,175)	23,940,561

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Note:

(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 2 October 1999 and that the options may not be exercised in respect of more than 10%, 30%, 60% and 90% of the options prior to the dates of 2 January 2000, 2 January 2001, 2 January 2002 and 2 July 2002 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 j).

(c) 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 2 January 2001 and that the options may not be exercised in respect of more than 30% and 60% 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 j).

(d) 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 1 February 2001. 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 j).

(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 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 j).

(f) 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.

(g) 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.

(h) 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.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Note: (Continued)

(i) 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 2 January 2008 and that the options may not be exercised in respect of more than 1/3 portion and 2/3 portion prior to the dates of 2 January 2009 and 2 January 2010 respectively.

(j) 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:

		Option			**Exercise price**	
Date granted	*Note*	**Before Adjustment**	**Adjustment**	**After adjustment**	**Before adjustment**	**After adjustment**
					HK$	*HK$*
16 Jun 1999	*(b)*	4,981,000	1,693,211	6,674,211	1.080	0.806
20 Dec 1999	*(c)*	100,000	33,993	133,993	1.130	0.843
28 Dec 1999	*(d)*	850,000	288,944	1,138,944	1.320	0.985
03 Jan 2000	*(c)*	560,000	190,363	750,363	1.440	1.075
14 May 2001	*(e)*	8,950,000	3,042,409	11,992,409	0.580	0.433

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

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

	2008		2007	
	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	**27,661,736**	**0.396**	79,241,000	0.284
Adjusted due to rights issue	**–**	**–**	5,330,504	–
Granted during the year	**–**	**–**	2,400,000	0.285
Lapsed during the year	**(3,721,175)**	**0.52**	(8,749,768)	0.631
Exercised during the year	**–**	**–**	(50,560,000)	0.139
Outstanding at the end of the year	**23,940,561**	**0.377**	27,661,736	0.396
Exercisable at the end of the year	**23,940,561**	**0.377**	25,261,736	0.407

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 5.02 years (2007: 6.08 years) and the exercise prices range from HK$0.122 to HK$0.985 (2007: HK$0.122 to HK$1.075).

There was no share-based compensation costs recognised during the year (2007: HK$278,000).

30. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Intangible assets	Revaluation of properties	Other temporary differences	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax arising from:				
At 1 January 2007	7,416	572	3,343	11,331
Charged back to consolidated income statement *(note 9)*	(844)	(37)	–	(881)
Charged back due to deregistration of subsidiaries	–	–	(3,584)	(3,584)
Exchange adjustments	538	–	241	779
At 31 December 2007	7,110	535	–	7,645
At 1 January 2008	7,110	535	–	7,645
Charged to equity for the year	–	(11)	–	(11)
Charged back to consolidated income statement *(note 9)*	(832)	(17)	–	(849)
Exchange adjustments	398	–	–	398
At 31 December 2008	6,676	507	–	7,183

The Group has not recognised deferred tax assets in respect of tax losses of HK$103,576,000 (2007: HK$99,050,000) available for offset against future profits due to the unpredictability of future profits streams. The tax losses do not expire under current tax legislation.

31. SHARE CAPITAL

	2008		2007	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**3,000,000**	**300,000**	3,000,000	300,000
Issued and fully paid:				
At 1 January	**1,841,285**	**184,128**	1,367,788	136,778
Issue of new shares	**–**	**–**	264,860	26,486
Exercise of share options	**–**	**–**	50,560	5,056
Exercise of warrants	**–**	**–**	158,077	15,808
At 31 December	**1,841,285**	**184,128**	1,841,285	184,128

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 debt, which mainly includes convertible loan disclosed in note 27 to the financial statements and 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.

32. RESERVES

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

(b) 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) General reserve

According to the relevant rules and regulations in the PRC, the Group's subsidiaries in the PRC should appropriate part of their profits after tax to general reserve, which can be used to make good losses and to convert into paid-up capital.

(iii) Share option reserve

Share option reserve represents the fair value of the outstanding share options granted to executive directors, employees, non-executive directors, any suppliers and customers of the Company and any of its subsidiaries and any invested entity recognised in accordance with the accounting policy adopted for share based payments.

(iv) Translation reserve

Translation reserve represents exchange differences arising from the translation of the financial statements of subsidiaries operating outside Hong Kong.

(v) Warrants reserve

Warrants reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon the exercise of the warrants.

(vi) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for revaluation of land and buildings.

(vii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the balance sheet date and is dealt with in accordance with the accounting policy in note 3k to the financial statements.

33. COMMITMENTS

(a) Lease commitments

At 31 December 2008 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**3,275**	4,705
In the second to fifth years inclusive	**2,565**	5,896
After five years	**–**	21
	5,840	10,622

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 balance sheet date are as follows:

	2008	2007
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	**–**	532

34. CONTINGENT LIABILITIES

At 31 December 2008, the Group did not have contingent liabilities in connection with performance bonds for suppliers (2007: HK$1,638,000).

35. MATERIAL RELATED PARTY TRANSACTIONS

(a) A list of related parties and their relationships with the Group are as follows:

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group has the following material transactions during the year ended 31 December 2008 with related parties in which directors or shareholders of the Group is in a position to exercise significant influence:

	Note	**2008** ***HK$'000***	2007 *HK$'000*
Convertible loan interest paid to an ex-shareholder	*(a)*	**4,992**	–
Convertible loan issued by the Company to an ex-shareholder	*(b)*	**–**	62,400

Notes:

(a) The amount represented 8% coupon convertible loan interest paid to an ex-shareholder.

(b) The amount represented 8% coupon convertible loan issued to an ex-shareholder in 2007.

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

35. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Included in the trade and other payables is the following balance with related parties:

	2008	2007
	HK$'000	*HK$'000*
Included in the trade and other payables		
A director		
– Sze Wai, Marco	**512**	458

The above amount due is interest free, unsecured and with no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	2008	2007
	HK$'000	*HK$'000*
Short term employee benefits	**6,075**	9,265
Share-based payment	**–**	278
Post-employment benefits	**64**	72
	6,139	9,615

36. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the convertible loan due in 2010 in the principal amount of HK$62.4 million was redeemed by the Group in cash.

37. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2008 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
China Star Group (Hong Kong) Corporation Limited	Hong Kong	–	100	HK$100,000	Sale of integrated circuits and computer software
Fortune Jet International Limited	Hong Kong	–	100	HK$10,000,000	Investment holding
Regal Harbour Limited	Hong Kong	–	100	HK$2	Property holding

37. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and operation	Attributable ownership interest percentage Direct	Indirect	Issued and paid up/ registered capital	Principal activities
Fortune Years Limited	Hong Kong	–	100	HK$2	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
FinTronics (Shanghai) Technology Co., Ltd. *(note a)*	PRC	–	100	RMB2,003,970	Provision of ATMs services
Smart Goal Development Ltd	Hong Kong	–	100	HK$1	Dormant

Note:

(a) These are wholly foreign-owned companies established in the PRC.

(b) This is a domestic limited liability company established in the PRC.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2009.

Five Years Financial Summary

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Results					
Turnover	**13,013**	66,505	156,205	239,506	291,041
(Loss)/profit from ordinary activities before tax	**(98,915)**	(27,480)	(199,428)	(74,559)	14,265
Income tax credit/(expense)	**165**	881	(324)	(1,727)	(2,780)
(Loss)/profit from ordinary activities after tax	**(98,750)**	(26,599)	(199,752)	(76,286)	11,485
Minority interests	**–**	455	(2,380)	(1,954)	(3,378)
(Loss)/profit attributable to equity holders	**(98,750)**	(26,144)	(202,132)	(78,240)	8,107
Assets and liabilities					
Fixed assets	**72,395**	75,491	62,493	20,647	76,573
Construction in progress	**–**	–	–	–	11,330
Available-for-sale financial assets	**1,229**	–	–	–	–
Goodwill	**–**	48,928	45,629	–	–
Intangible assets	**37,861**	40,614	42,375	1,469	1,157
Interests in associates	**–**	–	–	79,789	15,715
Investment funds	**–**	–	–	141,322	33,486
Pledged deposits	**5,000**	29,646	17,516	17,516	17,516
Deferred tax assets	**–**	–	–	–	137
Net current assets	**247,494**	251,849	58,334	8,383	217,435
Total assets less current liabilities	**363,979**	446,528	226,347	269,126	373,349
Non-current liabilities	**(58,528)**	(49,277)	(11,961)	(4,044)	(2,832)
	305,451	397,251	214,386	265,082	370,517
Share capital	**184,128**	184,128	136,778	52,864	52,864
Reserves	**121,323**	213,123	70,385	208,533	284,842
Minority interests	**–**	–	7,223	3,685	32,811
	305,451	397,251	214,386	265,082	370,517
(Loss)/profit per share (cents)					
Basic	**(5.36)**	(1.60)	(20.34)	(13.09)	1.6
Diluted	**N/A**	N/A	N/A	N/A	N/A