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# FinTronics

## 銀創控股

### FINTRONICS HOLDINGS COMPANY LIMITED

### 銀創控股有限公司\*

(incorporated in Bermuda with limited liability)

(Stock code: 706)

#### VERY SUBSTANTIAL ACQUISITION: ACQUISITION OF 70% INTERESTS IN THE ATM COMPANIES AND

#### DISCLOSURES PURSUANT TO RULE 13.13 OF THE LISTING RULES

On 6 December 2005, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which, the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase, 70% interests in the ATM Companies at a consideration of RMB144 million (equivalent to approximately HK\$138.5 million) (subject to adjustment as detailed below). The consideration is comprised of a cash consideration of RMB114 million and a portion of RMB30 million which will be satisfied by the allotment and issue of the Consideration Shares.

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is required to be made conditional on the Shareholders' approval pursuant to Rule 14.49 of the Listing Rules.

A circular containing, among other matters, further details of the Acquisition, the combined financial information of the ATM Companies and a notice to convene the SGM will be despatched to the Shareholders as soon as practicable.

#### DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

As disclosed in the Company's interim report for the six months ended 30 June 2005, the Group had paid the Deposit of RMB60,000,000 to the Vendor in contemplation of the proposed Acquisition. The Deposit was paid to the Vendor as to RMB30,000,000 on 11 April 2005, as to RMB20,000,000 on 12 April 2005 and as to RMB10,000,000 on 14 April 2005 and is unsecured and interest free. As at 11 April 2005, the payment of RMB30,000,000 to the Vendor as Deposit exceeded 8% of the Company's then market capitalisation.

The Company should have made an announcement pursuant to Rule 13.13 of the Listing Rules as soon as reasonably practicable when the Deposit paid to the Vendor has exceeded 8% of the relevant percentage ratios. However, due to an inadvertent overlook, the Company only became aware of such disclosure obligation recently and made this announcement accordingly. Such delay constitutes a breach of Rule 13.13 of the Listing Rules by the Company.

Reference is made to the announcement made by the Company dated 27 September 2005 regarding the MOU entered into by the Company and the Vendor for the possible acquisition by the Company from the Vendor 70% interests in the ATM Companies. The Directors are pleased to announce that on 6 December 2005, the formal Sale and Purchase Agreement was entered into by the Company and the Vendor for the Acquisition. Set out below are the particulars of the Sale and Purchase Agreement, the Acquisition and the ATM Companies.

#### SALE AND PURCHASE AGREEMENT

**Date** : 6 December 2005

**Parties** : (a) the Vendor (as vendor), an individual who has 70% interests in the ATM Companies as at the date of the Sale and Purchase Agreement  
To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is an Independent Third Party  
(b) the Company (as purchaser) which has 30% interests in the ATM Companies as at the date of the Sale and Purchase Agreement

**Subject matter of the Sale and Purchase Agreement** : 70% interests in the ATM Companies

There is no restriction under the Sale and Purchase Agreement on the Company on the subsequent sale of such interests.

#### Consideration

The Consideration of RMB144 million (equivalent to approximately HK\$138.5 million) (subject to adjustment as stated below) shall be paid by the Company (1) as to RMB114 million in cash, among which, as to RMB60 million had been paid as deposit ("Deposit") by the Company to the Vendor prior to the execution of the Sale and Purchase Agreement, as to RMB30 million will be paid by the Company at completion of the Acquisition, and as to RMB24 million will be paid by the Company within 90 days from the completion of the Acquisition; and (2) as to the remaining balance of RMB30 million, to be satisfied by the allotment and issue of the Consideration Shares at completion of the Acquisition. The RMB114 million cash portion of the Consideration paid and payable in cash was and will be satisfied by the Group's internal resources.

The Consideration Shares represent approximately 18.92% of the existing issued share capital of the Company and approximately 15.91% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The issue price per Consideration Share represents (i) a premium of approximately 133% over the closing price of HK\$0.129 per Share as quoted on the Stock Exchange on 6 December 2005, being the date of the Sale and Purchase Agreement, and (ii) a premium of approximately 129% over the average closing price of approximately HK\$0.131 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 6 December 2005. The parties to the Sale and Purchase Agreement started the negotiation on the terms of the Acquisition after the Company has completed the acquisition of 30% interests in Loten in the first half of 2005. The issue price of HK\$0.30 per Consideration Share was arrived at by the parties after taking into account the trading price of the Shares during the course of negotiation and was not arrived at by reference to any past or future financial figures of the Group. The issue price of the Consideration Shares should not be indicative of the price at which the Shares will trade following the entering into or completion of the Sale and Purchase Agreement. Potential investors in the Company are advised to exercise caution when dealing in the Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

\* for identification purpose only

The Consideration was determined after arm's length negotiation between the Vendor and the Company and on normal commercial terms and taking into account of various factors, including the potential revenue contribution of the ATM Companies to the Group, the scope and the quality of the acquired assets of the ATM Companies, the growth prospects of the ATM Companies, earnings potential and synergy opportunity with the Group and the terms of various commercial agreements entered into by the ATM Companies.

The basis for determining the Consideration of RMB144,000,000 for the Acquisition was the same as the basis for determining the consideration of RMB50,000,000 for the acquisition of 30% interests in Loten. Moreover, since the Company will acquire the controlling stake in the ATM Companies from the Vendor pursuant to the Acquisition, the parties to the Sale and Purchase Agreement agreed to include in the Consideration an additional premium of RMB27.3 million.

*Adjustment to the Consideration*

Should the Actual Result be less than RMB50 million (“**Target Performance**”), the Consideration shall be adjusted as follows:

Adjusted Consideration = original Consideration (RMB144 million) – the agreed amount as specified below:

<i>The percentage of the Actual Result to the Target Performance (“X”)</i>	<i>Agreed amount (RMB)</i>
95% ≤ X < 100%	3,500,000
90% ≤ X < 95%	9,333,333
85% ≤ X < 90%	15,166,667
80% ≤ X < 85%	21,000,000
75% ≤ X < 80%	26,833,333
70% ≤ X < 75%	32,666,667
65% ≤ X < 70%	38,500,000
60% ≤ X < 65%	44,333,333
55% ≤ X < 60%	50,166,667
50% ≤ X < 55%	56,000,000
X < 50%	58,333,333

The Vendor shall pay the difference between the Consideration and the adjusted Consideration (the “**Adjustment**”) to the Company, if any, within 30 business days after the date of issue of the Special Audited Accounts.

As a security for the Vendor’s obligation to pay the Adjustment, if any, the Vendor has agreed to execute a share charge (the “**Share Charge**”) to pledge all the Consideration Shares to a nominee of the Company at completion of the Acquisition. The Share Charge shall be released (i) after the due performance by the Vendor of her obligations to pay the Adjustment in full; or (ii) if no Adjustment is required to be made, within seven business days after the date on which the Special Audited Account is received by the Company.

**Conditions**

Completion of the Sale and Purchase Agreement is conditional on the satisfaction of the following conditions:

- (a) the Shareholders have passed an ordinary resolution to approve the transactions contemplated by the Sale and Purchase Agreement at the SGM;
- (b) the Stock Exchange have granted the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;
- (c) the representations, warranties and undertakings given by the Vendor under the Sale and Purchase Agreement remain true and accurate in material respect;
- (d) the Company is satisfied with the results of the legal and financial due diligence of each of the ATM Companies; and
- (e) the issue of legal opinions by a firm of PRC lawyers approved by the Company, confirming the legality and validity of the establishment and subsistence of each of the ATM Companies and all other matters in relation to the business of each of the ATM Companies which the Company considers necessary, contents of which must be accepted by the Company.

None of the conditions above can be waived by the Company and the Vendor. If the conditions precedents set out above have not been satisfied on or before 15 February 2006: (i) the Sale and Purchase Agreement shall cease and terminate and both parties shall have no obligations and liabilities under the Sale and Purchase Agreement, save for any prior breaches of the terms of the Sale and Purchase Agreement; and (ii) the Vendor shall forthwith return the RMB60 million Deposit to the Company. The Deposit is interest-free.

The Group is in the course of undertaking legal due diligence on the ATM Companies in various aspects, including due establishment, major assets, major commercial agreements, litigation and employment.

**Completion**

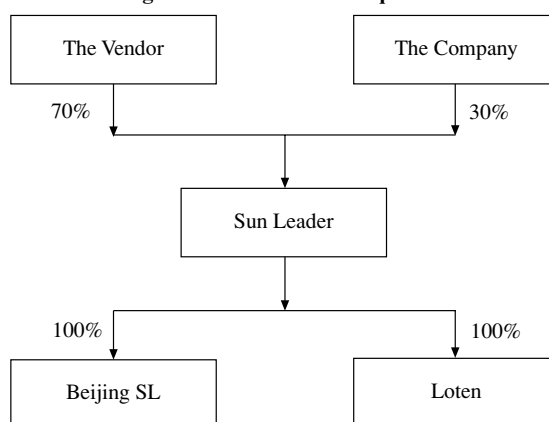
Subject to the satisfaction of the other conditions set out above, completion of the Acquisition shall take place within 90 business days after the date on which conditions (a) and (b) (whichever is the later) set out above are satisfied.

After the completion of the Acquisition, the ATM Companies will become wholly owned subsidiaries of the Company.

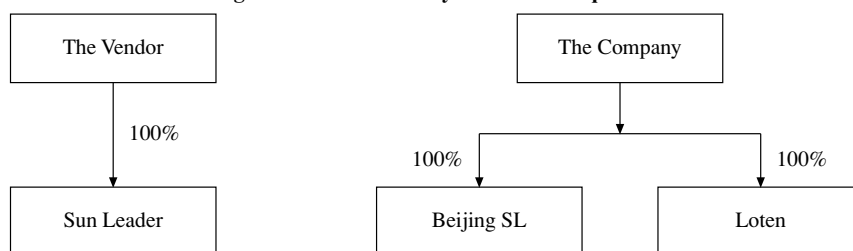
**Group structure before and after the Acquisition**

The simplified group charts of the Group before and immediately after the completion of the Acquisition are as follows:

**Diagram 1: Before the Acquisition**



**Diagram 2: Immediately after the Acquisition**



**Vendor's undertakings**

Pursuant to the Sale and Purchase Agreement, the Vendor has undertaken to the Company that, on or before the completion of the Acquisition:

- (a) the transfer of the major assets of Loten (which include inventory of ATM, a trademark and certain contracts relating to the provision of ATM management services to the financial institutions in the PRC) to Beijing SL has been legally and effectively completed (*note 1*);
- (b) Loten shall have been repaid in full of an unsecured interest-free loan of approximately RMB27.3 million from its former shareholder and the principal amount of such loan shall not increase; and
- (c) (i) the sole investor of the ATM Companies shall be changed to a company designated by the Company; (ii) the Vendor shall procure that all the directors of the ATM Companies shall be changed to nominees of the Company; and (iii) all such changes shall have been approved by the relevant PRC governmental authority (*note 2*).

*Notes:*

- (1) In April 2005, Loten was converted into a wholly foreign owned enterprise. After the conversion, the then approved business scope of Loten did not include the sale of computer peripheral equipment which Loten was engaged in prior to the conversion. Therefore, Beijing SL was established in June 2005 with a view to taking up the business of Loten and this involves the transfer of the ATM business contracts and major assets of Loten to Beijing SL. As advised by the PRC legal advisers of the Company, according to the approved business scope of Beijing SL, Beijing SL is permitted to perform the ATM business contracts which were previously undertaken by Loten.
- (2) The ATM Companies are currently wholly owned subsidiaries of Sun Leader in which the Vendor and the Company own 70% and 30% interests respectively. As Sun Leader is only an investment holding company, the Company and the Vendor have agreed not to include Sun Leader in the Acquisition. Therefore, at or before completion of the Acquisition, the Vendor shall procure that 100% interests in ATM Companies are transferred to the Company. Please refer to the group structure charts above for further information.

**Information of the ATM Companies**

*Loten*

Loten was a limited company established in the PRC on 14 September 2001 with a registered capital of RMB50,000,000. In April 2005, Loten has become a wholly foreign owned enterprise and each of the Vendor and the Company has 70% and 30% interests in Loten respectively.

*Beijing SL*

Beijing SL is a wholly foreign owned enterprise established in the PRC on 29 June 2005 with a registered capital of RMB10,000,000. As at the date of this announcement, 15% of the registered capital of Beijing SL (being RMB1,500,000) has been paid up and the remaining registered capital of RMB8.5 million is expected to be paid up in September 2006. Each of the Vendor and the Company has 70% and 30% interests in Beijing SL respectively.

*The businesses of the ATM Companies*

The ATM Companies are principally engaged in the provision to the financial institutions of maintenance and technical support services for the ATM and the development of value-added services for the ATM (such as utility payment and sale of air and train tickets by ATM). The ATM are the assets of the ATM Companies and the ATM Companies will provide the maintenance and technical services for the ATM and develop the value-added services for the ATM as may from time to time be requested by the financial institutions. In return, the ATM Companies will receive a service fee from the financial institutions based on the number of transactions processed by the ATM. The various cooperation agreements for ATM projects with the PRC financial institutions cannot be unilaterally terminated before the expiry of the respective terms stated in the cooperation agreements. As advised by the PRC legal advisers of the Company, the businesses carried on by the ATM Companies are not restricted business in the PRC.

Since Beijing SL was established on 29 June 2005 and has not commenced any business before 30 June 2005, there was no financial figures from Beijing SL for the two years ended 31 December 2004 and the six months ended 30 June 2005.

As at 31 December 2003, 31 December 2004 and 30 June 2005, the unaudited net asset value (under the Hong Kong GAAP) of Loten was approximately RMB46,936,000, RMB44,751,000 and RMB43,751,000 respectively.

The unaudited net loss (under the Hong Kong GAAP) of Loten for the two years ended 31 December 2004 and the six months ended 30 June 2005 are as follows:

	<b>For the year ended 31 December 2003</b>	<b>For the year ended 31 December 2004</b>	<b>For the six months ended 30 June 2005</b>
Net loss (before taxation and extraordinary items)	RMB1,655,000	RMB1,767,000	RMB923,000
Net loss (after taxation and extraordinary items)	RMB1,654,000	RMB2,185,000	RMB1,000,000

**Reasons for the Acquisition**

The Group is principally engaged in the provision of software development and systems integration services.

The increase in business activities and individual income in the PRC have created huge demand for banking services, in particular, the demand for ATM services in the PRC. The Directors believe the ATM services sector in the PRC will grow rapidly in the future and accordingly, the Group acquired a 30% stake in Loten in May 2005, which had been disclosed in the Company's announcement dated 30 March 2005. In view of the estimated business potentials, the Directors have decided to acquire a further interest in the ATM Companies. The Directors believe that the Acquisition will help the Group to further strengthen its foothold in the ATM services sector in the PRC and allow the Group to diversify into a solid business with high potential growth and open up new array of steady income. The Directors believe it would be beneficial to the Group to enter into the Sale and Purchase Agreement in order to benefit from the ATM Companies' expertise in the ATM businesses in the PRC. In terms of ATM services in the PRC, the ATM Companies have one of the highly skilled and experienced development team, advanced facilities and a portfolio of know-how. Products of the ATM Companies are also strong in product design, component specifications and quality control capability.

After considering the above factors, the Directors were of the view that the Sale and Purchase Agreement were on normal commercial terms and were fair and reasonable and in the interests of the Shareholders as a whole.

## CHANGES IN SHAREHOLDING STRUCTURE

Set out below are the changes in shareholding structure of the Company arising from the Acquisition:

	Existing shareholding structure as at the date of this announcement		Upon the issue of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
Leading Value Industrial Limited ( <i>note</i> )	132,434,953	25.05	132,434,953	21.07
<i>Director</i>				
Gu Peijian	540,000	0.10	540,000	0.09
Song Jing Sheng	18,900,000	3.58	18,900,000	3.00
Other public Shareholders	376,769,047	71.27	376,769,047	59.93
The Vendor	–	–	100,000,000	15.91
<b>Total</b>	<b>528,644,000</b>	<b>100.00</b>	<b>628,644,000</b>	<b>100.00</b>

*Note: Leading Value Industrial Limited is wholly owned by Mr. Sze Wai, Marco, a Director.*

### IMPLICATION OF THE LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is required to be made conditional on Shareholders' approval pursuant to Rule 14.49 of the Listing Rules. As at the date of this announcement, no Shareholder is required to abstain from voting in relation to the Acquisition.

### GENERAL

A circular containing, among other things, further details of the Acquisition, the combined financial information of the ATM Companies and a notice of SGM will be despatched to the Shareholders as soon as possible.

### DISCLOSURES PURSUANT TO RULE 13.13 OF THE LISTING RULES

Under Rule 13.13 of the Listing Rules, a disclosure obligation arises, among other situations, where the total advance to an entity from the Group exceeds 8% of any of the Group's latest published audited consolidated total assets or the Company's market capitalisation.

As disclosed in the Company's interim report for the six months ended 30 June 2005, the Group had paid the Deposit of RMB60,000,000 to the Vendor in contemplation of the proposed Acquisition. The Deposit was paid to the Vendor as to RMB30,000,000 on 11 April 2005, as to RMB20,000,000 on 12 April 2005 and as to RMB10,000,000 on 14 April 2005 and was unsecured and interest free. As at 11 April 2005, the RMB30,000,000 out of the Deposit exceeded 8% of the Company's then market capitalisation.

The Company should have made an announcement pursuant to Rule 13.13 of the Listing Rules as soon as reasonably practicable when the Deposit paid to the Vendor has exceeded 8% of the relevant percentage ratios. However, due to an inadvertent overlook, the Company only became aware of such disclosure obligation recently and made this announcement accordingly. Such delay constitutes a breach of Rule 13.13 of the Listing Rules by the Company.

### DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Acquisition"	the acquisition of the 70% interests in the ATM Companies pursuant to the Sale and Purchase Agreement
"Actual Result"	the aggregate of the audited net profit of the ATM Companies as stated in the Special Audited Accounts (excluding the profits arising from the transactions between Loten and Beijing SL)
"ATM"	automatic teller machines
"ATM Companies"	collectively, Loten and Beijing SL
"Beijing SL"	北京太陽先鋒科技有限公司 (Beijing Sun Leader Technology Co., Ltd.), a wholly foreign owned enterprise established in the PRC on 29 June 2005 in which the Vendor and the Company has 70% and 30% interests respectively
"Company"	FinTronics Holdings Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Consideration"	the consideration paid and payable by the Company to the Vendor for the Acquisition (subject to adjustment as referred to in the paragraph headed "Consideration" in this announcement)
"Consideration Shares"	the 100,000,000 Shares to be allotted and issued by the Company at a price of HK\$0.30 each, credited as fully paid, to the Vendor at completion of the Acquisition pursuant to the Sale and Purchase Agreement (the exchange rate between RMB and HK\$ is RMB1 = HK\$1 for the purpose of calculating the value of the Consideration Shares as prescribed in the Sale and Purchase Agreement)
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a party who is a third party independent of the Company and connected persons of the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loten"	龍騰科技有限公司 (Loten Technology Co., Ltd.), a limited company established in the PRC on 14 September 2001, which has become a wholly foreign owned enterprise in April 2005 in which the Vendor and the Company has 70% and 30% interests respectively
"MOU"	the memorandum of understanding entered into by the Company and the Vendor on 27 September 2005 in relation to the Acquisition, particulars of which were published in the Company's announcement dated 27 September 2005
"PRC"	the People's Republic of China
"PRC GAAP"	the generally accepted accounting principles in the PRC
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 6 December 2005 entered into between the Vendor and the Company in relation to the Acquisition
"SGM"	the special general meeting of the Company to be convened for the purposes of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the Acquisition
"Share(s)"	share(s) of HK\$0.1 each of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Special Audited Accounts"	the audited consolidated financial statements of each of Loten and Beijing SL (prepared in accordance with the PRC GAAP) for the 24 calendar months since 1 January 2006, which are to be issued pursuant to the terms of the Sale and Purchase Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sun Leader"	Sun Leader Limited, a company incorporated in the British Virgin Islands with limited liability
"Vendor"	an Independent Third Party who owns the 70% interests in the ATM Companies before completion of the Sale and Purchase Agreement
"%"	per cent.

In this announcement, unless otherwise specified, for purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.04 to HK\$1.00. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

As at the date of this announcement, the Directors are as follows:

Executive Directors Sze Wai, Marco, Chu Chi Shing, Gu Peijian and Song Jing Sheng  
Independent non-executive Directors Wong Po Yan, Mao Zhenhua and Chong Yiu Kan, Sherman

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

Hong Kong, 6 December 2005

“Please also refer to the published version of this announcement in China Daily.”