

FinTronics

銀創控股

FINTRONICS HOLDINGS COMPANY LIMITED

銀創控股有限公司*

(FORMERLY KNOWN AS START TECHNOLOGY COMPANY LIMITED)
(incorporated in Bermuda with limited liability)

(Stock code: 706)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Turnover	3	152,401	148,532
Cost of sales		(122,630)	(113,252)
		29,771	35,280
Valuation gains on investment property		2,050	2,350
		31,821	37,630
Other income		8,390	5,528
Other net loss		–	(3,311)
Impairment losses on associates		(3,321)	–
Impairment losses on intangible assets		(3,423)	–
Impairment losses on trade and other receivables		(35,472)	–
Selling and distribution expenses		(6,788)	(5,821)
Administrative expenses		(42,028)	(34,608)
Other operating expenses		–	(995)
Loss from operations		(50,821)	(1,577)

* for identification purposes only

Finance costs		(2,814)	(1,682)
Share of losses of associates		(12,895)	(8,543)
Loss before taxation		(66,530)	(11,802)
Income tax	4	(1,727)	(1,664)
Loss for the year from continuing operations		(68,257)	(13,466)
(Loss)/profit for the year from discontinued operations	5	(8,029)	24,951
(Loss)/profit for the year		(76,286)	11,485
Attributable to:			
Equity holder of the Company		(78,240)	8,107
Minority interests		1,954	3,378
		(76,286)	11,485
Earnings/(loss) per share	7		
From continuing and discontinued operations:			
Basic		(14.8) cents	1.6 cents
Diluted		N/A	N/A
From continuing operations:			
Basic		(15.6) cents	(3.2) cents
Diluted		N/A	N/A
From discontinued operations:			
Basic		0.8 cents	4.8 cents
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	<i>Note</i>	2005 HK\$'000	2004 HK\$'000 (restated)
Non-current assets			
Fixed assets			
– Investment properties		8,350	6,300
– Other property, plant and equipment		7,975	65,946
Interests in leasehold land held for own use under operating leases		4,322	4,327
		<hr/> 20,647	<hr/> 76,573
Construction in progress		–	11,330
Intangible assets		1,469	1,157
Interests in associates		79,789	15,715
Deposit and prepayments for investments		141,322	33,486
Pledged deposits		17,516	17,516
Deferred tax assets		–	137
		<hr/> 260,743	<hr/> 155,914
Current assets			
Inventories		1,153	27,714
Trade and other receivables	9	133,577	170,901
Deposits with bank		–	126,228
Cash and cash equivalents		12,324	74,391
Tax recoverable		603	–
		<hr/> 147,657	<hr/> 399,234
Current liabilities			
Trade and other payables	10	74,406	112,569
Loans and overdraft		64,316	67,791
Tax payable		552	1,439
		<hr/> 139,274	<hr/> 181,799
Net current assets		<hr/> 8,383	<hr/> 217,435

Total assets less current liabilities	269,126	373,349
Non-current liabilities		
Deferred tax liabilities	<u>4,044</u>	<u>2,832</u>
NET ASSETS	<u>265,082</u>	<u>370,517</u>
CAPITAL AND RESERVES		
Share capital	52,864	52,864
Reserves	<u>208,533</u>	<u>284,842</u>
Total equity attributable to equity holders of the Company	261,397	337,706
Minority interests	<u>3,685</u>	<u>32,811</u>
TOTAL EQUITY	<u>265,082</u>	<u>370,517</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

The Group

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	General reserve	Translation reserve	Warrant reserve	Buildings revaluation reserve	Retained profits/ losses (accumulated)	Total	Minority interests	Total equity
	(note i)	(note ii)	(note iii)	(note iv)	(note v)					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004										
- as previously reported as equity	44,064	195,909	11,027	1,173	-	-	47,379	299,552	-	299,552
- as previously separately reported as minority interest	-	-	-	-	-	-	-	-	19,723	19,723
- prior period adjustment in respect of HKAS 17	-	-	-	-	-	96	39	135	-	135
	<u>44,064</u>	<u>195,909</u>	<u>11,027</u>	<u>1,173</u>	<u>-</u>	<u>96</u>	<u>47,418</u>	<u>299,687</u>	<u>19,723</u>	<u>319,410</u>
- as restated										
Transfer between reserves	-	-	2,153	-	-	-	(2,153)	-	-	-
Deficit on revaluation of buildings held for own use (note 15(d))	-	-	-	-	-	(24)	-	(24)	-	(24)
Deferred tax liability arising from revaluation (note 29(b))	-	-	-	-	-	(4)	-	(4)	-	(4)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	(6)	-	-	-	(6)	-	(6)
Disposal of one of the subsidiaries	-	-	-	-	-	-	-	-	3,310	3,310
Negative goodwill taken up by minority interest	-	-	-	-	-	-	-	-	6,361	6,361
	<u>-</u>	<u>-</u>	<u>2,153</u>	<u>(6)</u>	<u>-</u>	<u>(28)</u>	<u>(2,153)</u>	<u>(34)</u>	<u>9,671</u>	<u>9,637</u>
Net income recognised directly in equity	-	-	2,153	(6)	-	(28)	(2,153)	(34)	9,671	9,637
Profit for the year (restated)	-	-	-	-	-	-	8,107	8,107	3,378	11,485

Total recognised income and expense for the year	-	-	2,153	(6)	-	(28)	5,954	8,073	13,049	21,122
Placing of new shares	8,800	21,146	-	-	-	-	-	29,946	-	29,946
Dividend paid to minority interest	-	-	-	-	-	-	-	-	(2,197)	(2,197)
Injection of share capital	-	-	-	-	-	-	-	-	2,236	2,236
	<u>8,800</u>	<u>21,146</u>	<u>2,153</u>	<u>(6)</u>	<u>-</u>	<u>(28)</u>	<u>5,954</u>	<u>38,019</u>	<u>13,088</u>	<u>51,107</u>
At 31 December 2004	<u>52,864</u>	<u>217,055</u>	<u>13,180</u>	<u>1,167</u>	<u>-</u>	<u>68</u>	<u>53,372</u>	<u>337,706</u>	<u>32,811</u>	<u>370,517</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

The Group

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	General reserve	Translation reserve	Warrant reserve	Buildings revaluation reserve	Retained profits/ losses (accumulated)	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
At 1 January 2005	<u>52,864</u>	<u>217,055</u>	<u>13,180</u>	<u>1,167</u>	<u>-</u>	<u>68</u>	<u>53,372</u>	<u>337,706</u>	<u>32,811</u>	<u>370,517</u>
Surplus on revaluation of buildings held for own use	-	-	-	-	-	1	-	1	-	1
Transfer between reserves	-	-	976	-	-	-	(976)	-	-	-
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	5,581	-	-	-	5,581	-	5,581
Disposal of subsidiaries	-	-	(8,148)	(39)	-	-	2,031	(6,156)	(26,054)	(32,210)
Write off of negative goodwill upon disposal of subsidiary	-	-	-	-	-	-	770	770	-	770
Net income recognised directly in equity	-	-	(7,172)	5,542	-	1	1,825	196	(26,054)	(25,858)
Loss for the year	-	-	-	-	-	-	(78,240)	(78,240)	1,954	(76,286)
Total recognised income and expense for the year	-	-	(7,172)	5,542	-	1	(76,415)	(78,044)	(24,100)	(102,144)
Issue of warrants	-	-	-	-	1,735	-	-	1,735	-	1,735
Further increase in interest in subsidiary	-	-	-	-	-	-	-	-	(4,933)	(4,933)
Dividend paid to minority interest	-	-	-	-	-	-	-	-	(1,507)	(1,507)
Injection of capital	-	-	-	-	-	-	-	-	1,414	1,414
	<u>-</u>	<u>-</u>	<u>(7,172)</u>	<u>5,542</u>	<u>1,735</u>	<u>1</u>	<u>(76,415)</u>	<u>(76,309)</u>	<u>(29,126)</u>	<u>(105,435)</u>
At 31 December 2005	<u>52,864</u>	<u>217,055</u>	<u>6,008</u>	<u>6,709</u>	<u>1,735</u>	<u>69</u>	<u>(23,043)</u>	<u>261,397</u>	<u>3,685</u>	<u>265,082</u>

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) Restatement of prior periods and opening balances

The adoption of the revised HKAS 17 resulted in an increase in opening reserves at 1 January 2004 by \$135,000.

	As at 31.12.2005 \$'000	As at 31.12.2004 \$'000
Decrease in other property, plant and equipment	7,280	7,240
Increase in leasehold land held for own use under operating leases	4,323	4,327
Decrease in deferred tax liabilities	561	595
	Year ended 31.12.2005 \$'000	Year ended 31.12.2004 \$'000
Decrease in administrative expenses	73	73
Increase in income tax	20	20

(b) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With the adoption of HKAS 17 as from 1 January 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. If the property is in the course of development or re-development, or the property is otherwise being used in the production of inventory, the amortisation charge is included as part of the costs of the property under development or other inventory. In all other cases the amortisation charge for the period is recognised in the income statement immediately.

(c) *Investment properties (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)*

In prior years movements in the fair value of the Group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1 January 2005, all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40.

This change in accounting policies does not have significant impact on the Group's results of operations and financial position as the Group recorded net revaluation deficits on revaluation of the investment properties in prior years. These net revaluation deficits have already been charged to the income statements of the respective periods.

(d) *Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)*

In prior year, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the Company).

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company.

3. Turnover

Turnover represents income arising from the net invoiced value of goods sold after allowances for goods returned, trade discount and value-added tax and the provision of software development and systems integration services and excludes intra-group transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Manufacture and sale of computer related products	87,105	142,509
Software development and systems integration services	49,430	55,247
Sale of integrated circuits and computer software	102,364	93,285
Unallocated	607	–
	<u>239,506</u>	<u>291,041</u>
Representing:		
Continuing operations	152,401	148,532
Discontinued operations	87,105	142,509
	<u>239,506</u>	<u>291,041</u>

4. Income tax

(a) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Total	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (restated)
Current tax –						
Provision for						
Hong Kong Profits						
Tax						
Tax for the year	–	(362)	–	–	–	(362)
Underprovision in respect of prior year	(19)	(37)	–	–	(19)	(37)
	<u>(19)</u>	<u>(399)</u>	<u>–</u>	<u>–</u>	<u>(19)</u>	<u>(399)</u>
Current tax – PRC						
Tax for the year	(318)	(653)	–	(766)	(318)	(1,419)
Overprovision in respect of previous years	–	281	–	–	–	281
	<u>(318)</u>	<u>(372)</u>	<u>–</u>	<u>(766)</u>	<u>(318)</u>	<u>(1,138)</u>
Deferred tax						
Origination and reversal of temporary differences	(1,390)	(893)	–	(350)	(1,390)	(1,243)
	<u>(1,727)</u>	<u>(1,664)</u>	<u>–</u>	<u>(1,116)</u>	<u>(1,727)</u>	<u>(2,780)</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year ended 31 December 2005.

The PRC income tax of the Group represent provisions for the PRC income tax on profits of subsidiaries in the PRC which have been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries. The associates of the Group sustained loss for taxation purpose during the year ended 31 December 2005.

Certain subsidiaries were granted exemptions and relief from the PRC income tax by the relevant local tax bureau.

The PRC subsidiaries of the Group prepared their financial statements for the years ended 31 December 2005 and 2004 in accordance with the PRC accounting standards and regulations (the "PRC GAAP"). Deferred taxation mainly represents differences between the PRC GAAP and HKFRSs in respect of accounting differences in income recognition.

5. Discontinued operation

In May 2005, the Group entered into an equity transfer agreement with an independent third party to dispose of Chatex Investment Ltd. and its subsidiaries (the "Chatex Group"), which carried out all of the Group's manufacturing and selling activities of computer related products ("Computer Related Products Segments"). The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses. The disposal was completed in July 2005.

The profit for the year from the discontinued operation is analysed as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
(Loss)/profit of discontinued operation	<u>(8,029)</u>	<u>24,951</u>

The results of the discontinued operation for the period from 1 January 2005 to 30 June 2005 are as follows:

	Six-month ended 30.6.2005 <i>HK\$'000</i>	Year ended 31.12.2004 <i>HK\$'000</i>
Revenue	87,105	142,509
Cost of sales	(76,763)	(124,445)
Other income	41	13,582
Selling and distribution expenses	(1,111)	(1,377)
Administrative expenses	(2,528)	(3,616)
Finance costs	(619)	(581)
Other operating expenses	–	(5)
Loss on disposal of subsidiaries	<u>(14,154)</u>	<u>–</u>
(Loss)/profit before taxation	(8,029)	26,067
Income tax expense	–	(1,116)
(Loss)/profit for the year	<u>(8,029)</u>	<u>24,951</u>

6. Dividends

The directors do not recommend the payment of any dividend for the year ended 31 December 2005 (2004: \$Nil).

7. Earnings/(loss) per share

(a) *Basic earnings/(loss) per share*

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share attributable to equity shareholders of the Company is based on the loss attributable to equity shareholders of \$78,240,000 (2004 (restated): profit attributable to equity shareholders of \$8,107,000) and the weighted average number of ordinary shares of 528,644,000 (2004: 502,123,000) shares in issue during the year.

From continuing operations

The calculation of basic earnings/(loss) per share attributable to equity shareholders of the Company is based on the loss attributable to equity shareholders of \$82,490,000 (2004 (restated): loss attributable to equity shareholders of \$15,901,000) and the weighted average number of ordinary shares of 528,644,000 (2004: 502,123,000) shares in issue during the year.

From discontinued operations

The calculation of basic earnings/(loss) per share attributable to equity shareholders of the Company is based on the profit attributable to equity shareholders of \$4,250,000 (2004 (restated): profit attributable to equity shareholders of \$24,008,000) and the weighted average number of ordinary shares of 528,644,000 (2004: 502,123,000) shares in issue during the year.

(b) *Diluted earnings/(loss) per share*

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2005 and 2004.

8. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting system.

(a) *Business segments*

The Group comprises the following main business segments:

Manufacture and sale of computer related products:

Software development and systems integration services:

Sale of integrated circuits and computer software:

Information localisation services:

Automatic teller machines services:

Manufacturing and sale of plastic casings for computer equipment.

Development of application software and provision of systems integration services for specific industries.

Trading of integrated circuits and computer software.

Provision of translation and information localisation services and products.

Provision of services for "automatic teller machines".

	Discontinued operation		Continuing operations											
	Manufacture & sale of computer related products		Software development & systems integration services		Sale of integrated circuits and computer software		Information localisation services		Automatic teller machines services		Unallocated		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)		(restated)		(restated)		(restated)		(restated)		(restated)
Revenue from external customers	87,105	142,509	49,430	55,247	102,364	93,285	-	-	-	-	607	-	239,506	291,041
Other revenue from external customers	41	-	1,396	2,218	314	-	-	-	-	-	-	1,606	1,751	3,824
	87,146	142,509	50,826	57,465	102,678	93,285	-	-	-	-	607	1,606	241,257	294,865
Segment results (note i)	(7,410)	13,071	(7,554)	(3,979)	8,340	22,671	-	-	-	-	-	-	(6,624)	31,763
Unallocated operating income and expenses													(51,607)	(18,578)
(Loss)/profit from operations													(58,231)	13,185
Finance costs													(3,433)	(2,263)
Non-operating income	-	11,886	-	-	-	-	-	-	-	-	-	-	-	11,886
Share of losses of associates	-	-	-	-	-	-	(47)	(8,543)	(12,726)	-	(122)	-	(12,895)	(8,543)
Income tax													(1,727)	(2,780)
Minority interests													(1,954)	(3,378)
(Loss)/profit attributable to equity shareholders													(78,240)	8,107
Impairment losses recognised in profit or loss	-	-	7,092	-	-	-	11,361	2,528	-	-				
Depreciation and amortisation for the year	4,886	5,361	2,372	2,128	2	33	-	-	-	-				
Significant non-cash expenses (other than depreciation and amortisation)	-	-	-	1,000	-	-	-	-	-	-				

Segment assets	-	157,878	58,760	70,305	74,621	80,940	-	-	-	-	133,381	309,123
Interest in associates	-	-	3,966	-	-	-	-	15,715	75,823	-	79,789	15,715
Unallocated assets											195,230	230,310
Total assets											408,400	555,148
Segment liabilities	-	84,720	47,808	45,035	70,608	44,223	-	-	-	-	118,416	173,978
Unallocated liabilities											24,902	10,653
Total liabilities											143,318	184,631
Capital expenditure incurred during the year	5,404	14,079	1,801	4,130	2	288	-	-	-	-		

Note:

- i) Segment result, assets and liabilities are before elimination of intra-group transactions and balances, except to the extent that such intra-group transactions and balances are between group companies within the same segment.

(b) *Geographical segments*

The Group's business participates in two (2004: two) major economic environment, namely the PRC and Hong Kong.

In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Continuing operations						Discontinued operation						Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	PRC	PRC	Hong Kong	Hong Kong	Total	Total	PRC	PRC	Hong Kong	Hong Kong	Total	Total	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)	(restated)	(restated)		(restated)		(restated)	(restated)	(restated)		(restated)
Revenue from external customs	50,306	73,031	102,095	75,500	152,401	148,531	87,105	142,510	-	-	87,105	142,510	239,506	291,041
Segmental assets	287,300	302,149	121,100	93,560	408,400	395,709	-	157,878	-	1,561	-	159,439	408,400	555,418
Capital expenditure incurred during the year	1,967	19,423	60	243	2,027	19,666	5,404	-	-	-	5,404	-	7,431	19,666

9. Trade and other receivables

	<i>Note</i>	The Group	
		2005	2004
		HK\$'000	HK\$'000
Accounts receivable	(i)	70,760	120,009
Bills receivable	(i)	–	19
Retentions receivable from customers		1,888	3,257
Gross amount due from customers for contract work		10,464	12,598
Prepayments, deposits and other receivables		50,465	23,149
Loans receivable		–	11,869
		133,577	170,901

Note:

- (i) Included in trade and other receivables are accounts receivable and bills receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2005	2004
	HK\$'000	HK\$'000
Current	24,385	100,392
1 to 3 months overdue	43,415	6,743
More than 3 months overdue but less than 12 months overdue	1,647	8,796
Overdue beyond 1 year	1,313	4,097
	70,760	120,028

10. Trade and other payables

	<i>Note</i>	The Group	
		2005	2004
		HK\$'000	HK\$'000
Accounts payable	(i)	25,988	73,978
Bills payable	(i)	6,845	3,133
Gross amount due to customers for contract work (<i>note 22</i>)		4,068	4,769
Receipts in advance		1,197	498
Other payables and accrued liabilities		30,624	30,191
Amounts due to directors		5,684	–
		74,406	112,569

All of the trade and other payables are expected to be settled within one year.

Note:

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

	The Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 3 months or on demand	31,444	46,026
Overdue 3 months to 1 year	491	30,618
Overdue beyond to 1 year	898	467
	<hr/>	<hr/>
	32,833	77,111
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Self-service financial services

In 2005, the Group acquired all interest of Loten at a consideration of RMB194 million. Loten possesses the know-how of ATM business in the PRC and strength in product design, component specification and quality control. On the other hand, Loten is one of the leading enterprises in terms of location, value-added services and continuous maintenance. It also has a wide client base in the financial services industry and involved in the technology development of the ATMP of China Unionpay. As of 2005, Loten currently had over 100 ATMs and the number is expected to increase to over 300 ATMs by the end of the first quartet of 2006. Meanwhile, Loten also entered into contracts with 11 institutions of China Unionpay and over 20 commercial banks in China in relation to the establishment and operation of 15,000 ATMs in the coming five years throughout the country. With these contracts, the Group will become the leading independent operator in China.

Software Development and Systems Integration Services

The sale of the business in the year under review was HK\$49,430,000, accounting for approximately 20.6% of the overall turnover of the Group. The Group focused on the large-scale 福建金保 and 福建機關社保 projects. For the 福建金保 project, it is under review by the authority. In addition, the Group was granted the pilot social insurance project for the organizations under Fujian Provincial People's Government and entered into two contracts with “三明機關社保” and “寧德機關社保”. With the active promotion of social insurance in all cities, it is expected that the operation will commence in Fuzhou, Longyan, Zhangzhou and Quanzhou in the coming two years.

In the year under review, the Group entered into contracts in relation to the hospital information management system (“HIS”) of 14 hospitals and three laboratory information management system (“LIS”). The aggregate contract value was over HK\$10 million.

Sale of Integrated Circuits and Computer Software

During the year, the sale of integrated circuits and computer software business reached HK\$102,364,000 representing 42.7% of the Group's total turnover.

Manufacture and Sale of Computer Related Products

The sale of the manufacture and sale of computer related products business for the year was HK\$87,105,000, accounting for 36.4% of the total turnover. Among fierce competition in the plastic injection processing market, the gross profit margin decreased accordingly. The Group decided to dispose of this business so as to improve the profitability and direct more resources to develop the self-service financial services business

SJTU Sunway

In the year under review, SJTU Sunway Software Industry Limited, an associate of the Group, continued to focus on strategic transformation and explore new business opportunities so as to further develop the business.

Prospects

The self-service financial services market in the PRC is at a robust stage. According to the research finding of international retail bankers, there were 48 and 429 ATMs per 1 million people in the PRC and Hong Kong, respectively, showing the huge potential of the PRC market. In light of this, the Group plans to establish about 1,500 ATMs in cities like Shenzhen, Beijing and Shanghai shortly.

Regarding the development strategy for the value-added services, the Group focuses on the development of value-added services for ATM, while at the same time attaches great importance to derivative businesses in relation to the value-added services for ATM. The Group is currently negotiating with the banker clients on the feasibility of developing utility payment services, electronic lottery and advertisements.

Consolidating the competitiveness of the Group and the extensive experience of Loten in finance e-payment services, the Group will proactively seize market opportunity and speed up the growth, moving towards the aim of becoming the leading self-service financial services provider in the PRC.

Material Investments and Disposals in Subsidiaries and Associates

In March 2005, the Group acquired 30% interests in ATM Companies at a consideration of RMB60 million. Loten Technology Co Ltd is a solution provider in relation to the management of ATM for financial institutions in the PRC. With reference to the announcement dated 6 December 2005, the Group has entered into a Sale and Purchase Agreement to further acquire the remaining 70% interests in ATM companies at a consideration of RMB144 million, and is conditional upon the fulfillment of certain conditions. The information regarding this transaction was published in conformity with the Listing Rules in the Company's circular dated 30 December 2005.

In March 2005, the Group has established 山西實達技軟件系統有限公司 (“山西實達”) in which the Group holds 51% equity interest and contributed RMB1,530,000 as registered capital. 山西實達 is principally engaged in the provision of software development and systems integration services.

In May 2005, the Group entered into the equity transfer agreement pursuant to which the Group will sell the entire interests in the Plastic Companies at a consideration of RMB33,800,000. The information regarding this transaction was published in the Company's circular dated 23 June 2005 in conformity with the Listing Rules.

Liquidity and Financial Resources

As at 31 December 2005, the Group had cash and bank balances of HK\$29.8 million (2004: HK\$218.1 million) of which HK\$17.5 million (2004: HK\$17.5 million) were pledged to banks for facilities granted to the Group.

Loans and overdraft of the Group as at 31 December 2005 amounted to HK\$64.3 million (2004: HK\$67.8 million) and were all repayable within one year. As at 31 December 2005, the total asset value of the Group was HK\$408.4 million (2004: HK\$555.1 million) whereas the total liabilities was HK\$143.3 million (2004: HK\$184.6 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 35.1% (2004: 33.2%).

Of the total borrowings as at 31 December 2005, about 15.2% was denominated in Renminbi and the remainder in HK dollars, and 10.5% was at fixed interest rates.

As at 31 December 2005, the Group had available aggregate banking facilities of HK\$79.6 million (2004: HK\$103.0 million) of which HK\$6.0 million (2004: HK\$33.3 million) has not been utilised.

Assets charged as security for banking facilities included bank deposits totalling HK\$17.5 million (2004: HK\$17.5 million), and investment properties of the Group valued at HK\$8.3 million (2004: HK\$6.3 million) as at 31 December 2005.

The Group maintain a net borrowings (being the total cash and bank balances net of total borrowings) to equity ratio of 13.0% (2004: net cash to equity ratio of 40.5%) as at 31 December 2005. With net borrowings of HK\$34.5 million (2004: net cash of HK\$150.3 million) as at 31 December 2005, the Group's liquidity position has become tighten and the Directors of the Group has implemented certain financing measures including rights issue in March 2006 to ensure the Company has sufficient financial resources to satisfy its commitments and working capital requirements.

Contingent Liabilities

As at 31 December 2005, certain buildings held for own use of the Group with an aggregate carrying value of HK\$5,642,000 (2004: HK\$8,600,000) were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK\$15,000,000 (2004: HK\$15,000,000) granted to a subsidiary of a former related company. As at 31 December 2005, the amount of the facilities utilised was HK\$7,985,000 (2004: HK\$788,000).

As at 31 December 2005, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK\$3,588,000.

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 2005, the Group had approximately 497 (2004: 1,426) employees of which approximately 168(2004: 149) were technicians. Employees' costs (including directors' emoluments) amounted to approximately HK\$25.4 million (2004: HK\$29.9 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.

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 2005, 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)
Mr. Sze Wai, Marco	The Company	Interest of controlled corporation (note 2)	132,434,953 ordinary shares (L)
	The Company	Beneficial interest	3,500,000 ordinary shares (L) (note 3)
Mr. Chu Chi Shing	The Company	Beneficial interest	2,500,000 ordinary shares (L) (note 3)
Mr. Gu Peijian	The Company	Beneficial interest	540,000 ordinary shares (L)
Mr. Song Jing Sheng	The Company	Beneficial interest	24,900,000 ordinary shares (L) (note 4)

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 which is wholly-owned by Mr. Sze Wai, Marco.
3. These shares were the respective number of shares which would be allotted and issued upon exercise in full of the options granted to each of Mr. Sze Wai, Marco and Mr. Chu Chi Shing under the share option schemes of the Company.
4. Included in these shares were (i) 18,900,000 issued shares and (ii) 6,000,000 shares which would fall to be allotted and issued pursuant to the exercise of subscription rights attaching to the unlisted warrants issued to him.

Save as disclosed above, as at 31 December 2005, 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.

Substantial Shareholders and Other Persons who are Required to Disclose their Interests Pursuant to Part XV of the SFO

As at 31 December 2005, 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	Capacity	Approximate percentage of interest
Leading Value Industrial Limited	132,434,953 <i>(note 1)</i>	Beneficial owner	25.05%
Fujian Start Computer Group Company Limited	46,602,000	Interest of a controlled corporation <i>(note 2)</i>	8.82%
Interstar Holdings Limited	46,602,000	Beneficial owner	8.82%

Notes:

1. Mr. Sze Wai, Marco's interest in Leading Value Industrial Limited is also disclosed in the section headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures".
2. These shares are registered in the name of Interstar Holdings Limited, which is a wholly owned subsidiary of Fujian Start Computer Group Company Limited.

Save as disclosed above, as at 31 December 2005, 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 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Competing Business Interests of Directors

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

Pre-emptive Rights

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

Directors' Interests in Contracts

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

Connected Transactions

During the year ended 31 December 2005, 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 emphasise 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 2005.

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 controls of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Wong Po Yan, Mr. Mao Zhenhua and Mr. Chong Yiu Kan, Sherman. Mr. Chong Yiu Kan, Sherman is the chairman of the audit committee. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the annual report for the year ended 31 December 2005 with the Directors.

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

<i>Executive Directors</i>	Sze Wai, Marco, Chu Chi Shing, Song Jing Sheng and Gu Peijian
<i>Independent non-executive Directors</i>	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, 26 April 2006

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