

BUSINESS PROSPECT

In April 2002, the Company has changed its name to signify the switch and concentration of core businesses from bio-technology to hi-tech security system for cards transactions and software development. As disclosed in the Group's interim result for six months ended 31st December 2001, the Group has the intention and determined to develop and explore the market in a security system for credit and debit cards business and to develop a software infrastructure for payment gateway with authorization from cardholders in the region such as Mainland China. At the closure of this financial period ended June 2002, the Group has recorded loss attributable to shareholders of HK\$31.0 million and loss per share of HK2.23 cents. Turnover of the Group has recorded HK\$28.1 million whereas loss from operation was HK\$47.9 million. The board has re-examined certain investment projects with which the board may intend to divest some of the existing projects for the long term benefit of shareholders.

Bio-Tech Operation

The management was not satisfied with the progress of this division. With the severe competitions from similar products in the market, the result from the bio-technology operation does not look promising as expected before. Despite confidence the Group has had in this line of business, the board has determined to concentrate resources to other businesses that will generate more solid returns to the shareholders of the Group.

IT Operation

As mentioned earlier, the Group has commenced during last financial year, its concentration on products which will have a more profound and wider scope of expansion. DNA operation which in fact is a mobile phone payment system ("MPPS") specializing in offering payment solutions using mobile phone as the authorization tool to all kinds of payment at point-of-sale, through internet or TV purchase. It is also an alerting system which helps the security of transactions by credit or debit card payments on- and off-line through SMS ("Short Message System") through mobile phone. Subscribers of this service will be alerted and asked to authorize the payment when the subscribers' debit or credit cards are being used, by means of a secret code only known to the cardholder and transmitted through his/her mobile phone. This line of business even though was commenced operation in Hong Kong, the popularity and functions have yet to be accepted by domestic and institutional users. The Group understands that traditional security system for credit cards in Hong Kong was maturely developed and was globally accepted by institutional card issuers. This security system is however relied on card issuers or merchandisers. Nonetheless, the DNA product with MPPS vests the security of card payments on card users themselves. Card users will definitely have an ease of mind without worrying that their account through payments by the cards will be used without the card user's knowledge and authorization.

The board believes that this product will have a huge market potential in the PRC since the card business in the Mainland China has just taken its hike. Recent statistic shows there are 438 million cards being used. With the accession of WTO and with the hosting of Olympic event in 2008, economic growth is expected to increase in real terms. Consequently the whole consumption confidence will also be boosted and the number of transactions by cards is also expected to increase in multiple. Mechanism in DNA system coupled with a upgraded software fits the demand of both card issuers and users. Not only is the confidence from the consumers' point of view, but card issuers have also expressed their confidence in this product. Agreements have already been signed with three national or regional banks in China. A subsidiary has already been set up in Shen Zhen and more offices/subsidiaries will also be set up in due course. Infrastructures were installed and test runs have already begun in one of the national bank. Revenue for the Group from this business is initially generated from monthly fee charged to cardholders. With a token expense, the cardholders will feel comfortable when they settle their payment of all sorts through the mobile phone. The Group is expecting that revenue will come by the end of this year or early next year. The board is delighted with the overwhelming response from the banks and is confident that it will make the result of the Group turnaround in the near future.

