

## RESULTS

Turnover of the Group for the period under review was HK\$28.2 million compared to HK\$30.0 million in 2001. It was a slight decrease of approximately 6.0% from last year. Loss from operation is reduced by nearly 28.5% to HK\$47.9 million this year from HK\$67.0 million last year. Loss attributable to shareholders is HK\$31.0 million compared to loss of HK\$92.5 million in year 2001 representing a decrease of almost 66.5%. Consequently loss per share for the current period was HK\$2.23 cents per share compare to loss of HK\$25.32 cents per share for the period ended June 2001 after adjusting for the consolidation of 40 shares to 1 in November, 2001.

## BUSINESS REVIEW

For the last twelve months ended June 2002, the Group's turnover has been able to maintain at a level similar to 2001 despite a slump in world economy and tough conditions circumventing the business environment. Gross profit this year was however reduced by 41.7% from HK\$3.6 million last year to HK\$2.1 million due to lower gross profit margin and higher cost of sales. Loss from operation was downed by 28.5% from HK\$67 million in 2001 to HK\$47.9 million in 2002. Nevertheless the Group understands that while the macro economic climate did not provide us with a positive condition, we have to focus on a more cost effective approach and concentrate on projects with promising prospects for the benefit of shareholders. In addition, the Group has sold subsidiaries that are not core business to ensure the economic use of resources. Subsequent to the sale, the Group has recorded an exceptional gain of HK\$35.4 million. Loss attributable to shareholders after minority interest was scrapped by 66.5% from HK\$92.5 million in 2001 to HK\$31.0 million this financial year. Likewise loss per share was enormously reduced from HK\$25.32 cents per share to HK\$2.23 cents per share after share consolidation.

### F & B Operation

The operating result of this division has recorded a slight decrease in turnover by HK\$0.5 million to HK\$8.5 million when compare to the result of last year. It has sustained an operating loss of HK\$9.1 million which quite match the overall results of this division of last year. Competition is still high in the region of the PRC. However under the Group's tight control in both costs and expenses, this division was able to maintain a similar level of operations though this division has recorded loss attributable to shareholders of HK\$10.2 million. Some kind of improvement as within the expectation of the Group was shown during the year. Nevertheless, this division was divested in June this year since the food and beverage business is no more the core business of the Group. The Group hopes the divestment of this division will assist the use of limited resources to more productive line of businesses. As a result of the sale, an exceptional gain of HK\$31.7 million was recorded at end of June, 2002.

### Bio-Tech Operation

Qilisheng which is a health product embedded with latest technology of MAB ("Micro Alternating Biotechnology") has shown a decline in turnover for the year ended June 2002. For the twelve months ended June 2002, this division has recorded a loss of HK\$2.0 million. The management of the Group is seriously scrutinizing this investment to determine if the Group needs to put more resources in it.

### IT Operation

For the period under review, the result of WinFCS which provides instant security market information plus other financial information, and Quickionary which is a pen size dictionary, have both sustained a loss of HK\$0.6 million and HK\$1.5 million respectively. Business in WinFcs was largely affected by the bearish sentiment in global and local stock market and turnover has shrunk by 17.6% from HK\$5.1 million last year to HK\$4.2 million. Business in Quickionary on the other hand has suffered severe competition from products of similar kind. Despite the Group had been concentrating on upgrading with an advanced version of Quickionary and with massive marketing campaign, turnover was still reduced by 5.6% from HK\$12.7 million last year to HK\$12.0 million. Business of DNA ("Digital Network Alerting") system has yet to contribute profit for the Group. For the last twelve months development and marketing expenses have outweighed revenue generated from this line of business. Nevertheless the management understands the expenditures on commercialization and marketing are preempt and inevitable during the infancy stage of this product. Another IT project, Investment in Chinese Star Cyber Technology Holdings Limited ("CSCTHL") which the Group holds 25% equity interest, developing Chinese software in the PRC has yet to contribute profit for the Group. CSCTHL is now developing other lines of businesses and hopefully it will contribute profit soon. For prudence sake however, the Group has made provision of HK\$15.6 million for this investment project. Should it contribute profit next year or so as the Group expects, the management will write this back to the account.

### Business Outlook

The Group has on 3rd October, entered into an agreement with a company to subscribe 30% equity interest with subscription fee of HK\$30 million. At the same time, a license agreement was also entered with the same company to obtain the right to use a technology which helps the security on non-cash payment by cards including bank, credit or debit cards for on-line or off-line transactions. The signing of this license agreement helps to facilitate the DNA operations as mentioned under the Chairman Statement. Separate agreements have been entered into with three Chinese banks in the PRC to engage the use of this security technology. Infrastructures were set up and test runs with one of the banks has already started in October this year and the Group expects more test runs with other two banks will be started soon.

Payment by cards becomes more acceptable and popular in the PRC and a DNA related payment gateway software is being developed to facilitate the payment of all sorts. With the accession to the WTO and the hosting of the Olympic events in year 2008, economy in the PRC will be boosted in real terms. Given the fact that there are 438 million cards being used in the Mainland China, the Group expects a constant cash inflow. Infrastructure has already been set up with one of the banks and test runs are being undertaken as mentioned earlier. Revenue will be generated from early next year. Infrastructure for the second bank will be commenced by the end of October this year and the third is scheduled to be early next year. Other side businesses but along the same line with financial institutions will also be explored. Some software implementation programs specially made for banks and financial institutions are being developed. The Group expects to contact more banks and financial institutions in the PRC in the near future for the expansion of the DNA business.