

The directors present their annual report and the audited financial statements for the year ended 30th June, 2002.

### Principal activities

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and associate are set out in notes 16 and 17 to the financial statements.

### Change of name

Pursuant to a special resolution passed at a special general meeting held on 19th April, 2002, the name of the Company was changed from Star Bio-Tech (Holdings) Limited to Credit Card DNA Security System (Holdings) Limited.

### Change in substantial shareholder

On 6th February, 2002 the Company, Win Channel Investments Limited ("Win Channel") and Wong Kam Fu entered into a share acquisition agreement whereby Win Channel will subscribe for 2,500,000,000 new shares for a total cash consideration of HK\$25,000,000 at HK\$0.01 per share and Wong Kam Fu will procure a transfer to Win Channel of 88,187,919 shares beneficially owned by Sheung Hai Developments Limited ("Sheung Hai"), a company wholly and beneficially owned by Wong Kam Fu, for a cash consideration of HK\$1.

At the same date, Sheung Hai and the Company entered into a subscription agreement whereby Sheung Hai will subscribe for 2,000,000,000 new shares for a total cash consideration of HK\$20,000,000 at HK\$0.01 per share.

Upon completion of the share acquisition and subscription, the Company issued 25,000,000,000 and 2,000,000,000 ordinary shares to Win Channel and Sheung Hai, which represented 50.1% and 40.1% of the then enlarged issued share capital of the Company respectively. Accordingly, there was a change in the substantial shareholders of the Company and the details as at 30th June, 2002 are disclosed under the heading "Substantial Shareholder".

### Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

### Results

The results of the Group for the year ended 30th June, 2002 are set out in the consolidated income statement on page 18 of the annual report.

No dividend was paid during the year.

### Financial summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 54 of the annual report.

### Share capital and convertible notes

During the year, the Company issued convertible notes of HK\$6,800,000 and HK\$13,800,000 to independent third parties to provide general working capital to the Group.

The Company also issued and allotted 2,500,000,000 and 2,000,000,000 shares to Win Channel and Sheung Hai at HK\$0.01 per share.

The Company further issued and allotted 108,718,486 shares and 125,000,000 shares to a holder of convertible notes at conversion prices of HK\$0.0952 and HK\$0.01 per share respectively as a result of the conversion of the convertible notes.

Every 40 shares of HK\$0.01 each was consolidated into 1 new share of HK\$0.4 each and the par value of every new share of HK\$0.4 each was reduced to HK\$0.01 each during the year.

Details of these and other movements in the share capital and convertible note of the Company during the year are set out in notes 24 and 27 to the financial statements, respectively.

### Purchase, sale or redemption of listed securities

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

### Property, plant and equipment

During the year, property, plant and equipment with an aggregate net book value of approximately HK\$2,206,000 were disposed of as a result of the disposal of certain subsidiaries.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

### Investment properties

Details of the movements in investment properties are disclosed in note 14 to the financial statements.

### Principal subsidiaries and associate

During the year, the Group disposed of its entire interest in certain subsidiaries which are mainly engaged in the manufacture and sales of food products and provision of internet consultancy services.

Details of the Group's principal subsidiaries and associate as at 30th June, 2002 are set out in notes 16 and 17 to the financial statements.

## Directors

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Wong Kam Fu ( <i>Chairman</i> )	
Wong Kam Wing	(appointed on 22nd October, 2001)
Wang Zhao Bin	(appointed on 4th December, 2001)
Zhao Hua	(appointed on 4th December, 2001)
Lew Mon Hung	(appointed on 7th January, 2002)
Wong Hoi Keung ( <i>Managing Director</i> )	(appointed on 4th September, 2002)
Zhang Ling Yu ( <i>Deputy Chairman</i> )	(resigned on 31st July, 2001)
Tan Bin	(resigned on 31st July, 2001)
Mahommed Bin Ali	(resigned on 11th October, 2001)
Law Wing Tak, Jack	(resigned on 11th October, 2001)
Wah Wang Kei, Jackie	(resigned on 11th October, 2001)
Chan Kwong On, Daniel	(resigned on 4th September, 2002)

### Independent non-executive directors:

Ha Ping	
Lau Mun Chiu	(appointed on 30th September, 2002)
Sum Mun Kid, Frederick	(resigned on 30th September, 2002)

In accordance with clauses 91 and 99 of the Company's Bye-laws, Messrs. Lew Mon Hung and Lau Mun Chiu will retire and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his retirement by rotation as required by the Company's Bye-laws.

Messrs. Wong Kam Fu, Nelson, has entered into service contract with the Company for a fixed term of three years from 14th June, 2000.

Other than as disclosed above, no director being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

### Directors' interests in securities

As at 30th June, 2002, the interests of the directors of the Company in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

#### Interests in the Company

Name of director	Number of shares held under corporate interests
Wong Kam Fu ( <i>Note</i> )	1,683,991,543

#### *Note:*

1,678,516,543 shares were beneficially owned by Sheung Hai Developments Limited and 5,475,000 shares are beneficially owned by Super Biotech Enterprises Limited ("Super Biotech"). The entire share capital of both companies is beneficially held by Wong Kam Fu, Nelson.

Save as disclosed above, none of the directors or other associates had any personal, family, corporate within the meaning of the SDI Ordinance, as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' and chief executives' rights to acquire shares or debentures

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 11th April 1994 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 10th March 2004. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive director of the Company or any subsidiaries, to subscribe for shares in the Company.

At 30th June 2002, the number of shares in respect of which options had been granted under the Scheme was 23,850,000, representing 0.5% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time excluding any shares issued pursuant to the Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the number of shares issued and issuable under the Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$10 per each grant of share options. The options granted are exercisable at any time during the two years period commencing six months after the date on which the option is accepted and expiring on the last day of the two years period or 10th April, 2004, whichever is the earlier. Pursuant to a resolution passed on 27th July, 2001, the Scheme was modified. Accordingly from 27th July, 2001, the exercise period of the share options granted under the Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end more than 10 years from the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company's shares for the five business days immediately preceding the date of grant, and the nominal value of the Company's shares.

**Directors' and chief executives' rights to acquire shares or debentures (continued)**

The fair value of the options granted in the current year measured as at the dates of grant on 2nd August, 2001 and 1st September, 2001, were both HK\$0.19 per option. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	2nd August 2001	1st September 2001
Expected life of options	3years	3years
Expected volatility based on historical volatility of share prices	67%	67%
Hong Kong Exchange Fund Notes rate	4.48%	4.19%
Expected annual dividends	Nil	Nil

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.

The following table discloses movements in the Company's share options during the year:

Name of director/ former director*	Exercisable period	Exercise price** HK\$	Number of share options			Outstanding at 30.6.2002
			Outstanding at 1.7.2001**	Granted during the year**	Cancelled during the year	
Wong Kam Fu	21.2.2001 - 20.2.2003	1.5368	2,500,000	-	-	2,500,000
	30.4.2001 - 29.4.2003	0.652	1,250,000	-	-	1,250,000
	7.5.2001 - 6.5.2003	0.672	3,200,000	-	-	3,200,000
	2.8.2001 - 1.8.2004	0.4	-	3,018,750	-	3,018,750
Wong Kam Wing	18.11.2001 - 17.11.2003	0.4	5,000,000	-	-	5,000,000
Wang Zhao Bin	21.2.2001 - 20.2.2003	1.5368	500,000	-	-	500,000
	6.5.2001 - 5.5.2003	0.652	250,000	-	-	250,000
Zhao Hua	21.2.2001 - 20.3.2003	1.5368	450,000	-	-	450,000
	11.5.2001 - 10.5.2003	0.652	250,000	-	-	250,000
Law Wing Tak, Jack (resigned)	21.2.2001 - 20.2.2003	1.5368	3,300,000	-	(3,300,000)	-
	30.4.2001 - 29.4.2003	0.652	250,000	-	(250,000)	-
	7.5.2001 - 6.5.2003	0.672	637,500	-	(637,500)	-
	18.11.2001 - 17.11.2003	0.4	1,250,000	-	(1,250,000)	-
	2.8.2001 - 1.8.2004	0.4	-	2,000,000	(2,000,000)	-
	1.9.2001 - 31.8.2004	0.4	-	250,000	(250,000)	-

## Directors' and chief executives' rights to acquire shares or debentures (continued)

Name of director/ former director*	Exercisable period	Exercise price** HK\$	Outstanding at 1.7.2001**	Number of share options		Outstanding at 30.6.2002
				Granted during the year**	Cancelled during the year	
Wah Wang Kei, Jackie (resigned)	21.2.2001 - 20.2.2003	1.5368	1,775,000	-	(1,775,000)	-
	30.4.2001 - 29.4.2003	0.652	250,000	-	(250,000)	-
	7.5.2001 - 6.5.2003	0.672	637,500	-	(637,500)	-
	18.11.2001 - 17.11.2003	0.4	1,250,000	-	(1,250,000)	-
	2.8.2001 - 1.8.2004	0.4	-	2,250,000	(2,250,000)	-
	1.9.2001 - 31.8.2004	0.4	-	250,000	(250,000)	-
Chan Kwong On, Daniel (resigned)	21.2.2001 - 20.2.2003	1.5368	250,000	-	-	250,000
	30.4.2001 - 29.4.2003	0.652	1,000,000	-	-	1,000,000
Mahommed Bin Ali (resigned)	7.5.2001 - 6.5.2003	0.672	1,250,000	-	(1,250,000)	-
Zhang Ling Yu * (resigned)	21.2.2001 - 20.2.2003	1.5368	2,500,000	-	(2,500,000)	-
	7.5.2001 - 6.5.2003	0.672	2,500,000	-	(2,500,000)	-
Tan Bin (resigned)	7.5.2001 - 6.5.2003	0.672	2,500,000	-	(2,500,000)	-
Total for directors			<u>32,750,000</u>	<u>7,768,750</u>	<u>(22,850,000)</u>	<u>17,668,750</u>
Employees	21.2.2001 - 5.3.2003 ***	1.5368	3,150,000	-	(750,000)	2,400,000
	30.4.2001 - 27.5.2003 ***	0.652	1,100,000	-	(175,000)	925,000
	18.11.2001 - 17.11.2003	0.4	2,500,000	-	-	2,500,000
	2.8.2001 - 1.8.2004	0.4	-	256,250	-	256,250
	1.9.2001 - 31.8.2004	0.4	-	100,000	-	100,000
Total for employees			<u>6,750,000</u>	<u>356,250</u>	<u>(925,000)</u>	<u>6,181,250</u>
Total for the Scheme			<u>39,500,000</u>	<u>8,125,000</u>	<u>(23,775,000)</u>	<u>23,850,000</u>

\*\* The exercise price per share, the number of share options brought forward from last year and share option granted during the year have been adjusted to reflect the effect of share consolidation of every 40 ordinary shares into 1 share during the year.

\*\*\* The exercisable periods for the share options granted to employees are longer than those granted to directors/former director as certain grantee of the options accepted the options on different dates.

### Substantial shareholders

As at 30th June, 2002, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that, the following shareholders had an interest in 10% or more in the issued ordinary capital of the Company:

Name	Number of ordinary shares held	Approximate shareholding percentage
Wong Kam Fu	1,683,991,543	33.03%
Sheung Hai (note 1)	1,678,516,543	32.93%
Chim Pui Chung	2,028,192,348	39.78%
Win Channel (note 2)	2,028,192,348	39.78%

Note 1: Mr. Wong Kam Fu owns the entire interest in the company.

Note 2: Mr. Chim Pui Chung owns the entire interest in the company.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued ordinary share capital of the Company as at 30th June, 2002.

### Major customers and suppliers

For the year ended 30th June, 2002, the five largest customers accounted for less than 30% of the Group's turnover, while the largest and five largest suppliers accounted for 21% and 38% of the Group's purchases, respectively.

None of the directors, their associates or shareholders, which to the knowledge of the directors own more than 5% of the Company's issued share capital, have any interests in the above customers.

### Pre-emptive rights

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

### Corporate governance

The Company has complied throughout the year ended 30th June, 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

### Post balance sheet events

Details of significant post balance sheet events are set out in note 37 to the financial statements.

### Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Wong Kam Fu**

*Chairman*

Hong Kong, 29th October, 2002