

## Chairman's Statement

Although financial year ended June 2004 was a difficult year due to SARS and the very weak demand for security enhancement solution in both Hong Kong and China, lost was trimmed by 40% from HK\$59.6 million to HK\$35.7 million this year. The adverse effect of SARS on our marketing and even system implementation activities was obvious. The deregulation of Chinese RMB business in Hong Kong have drawn all the bank's resources for new business development while the banks in China were focused in upgrading the banking system to meet with the challenge of market being opened in 2006. Consequently, the temporary slower than expected demand of security enhancement solution like DNA was unavoidable.

However, SARS has driven customers from transacting personally in branches to electronic channels and stiffer competition push bank to promote E-banking for cost optimization also trigger a much higher demand for DNA security enhancement solution in the immediate future. This was evidenced by the fact that we managed to resume most of our negotiation with prospective customers with positive feedback in second quarter of 2004.

During the year, our major shareholders base has been broaden to include those strategic partners like Hong Kong Beijing Finance and Investment Ltd. ("BFIL"), owned by Beijing Municipal Government via The Capital Group ("TCG"). We shall benefit from BFIL for their marketing effort in promoting DNA and potential synergetic business opportunities in China in particular to capture the business opportunity of 2008 Olympic game in Beijing.

In addition, we have expanded the functionalities of DNAPAY to include not only e-payment settlement but also e-commerce. Consequently, our future revenue sources could be widened from merchant's rebate commission for payment settlement to sales revenue for trading of merchandises on-line.

The first DNAPAY platform serving all Beijing Superpass card holders will be deployed in Beijing in the second quarter of 2005 by Beijing Superpass e-payment Co. Ltd., a joint venture company between Beijing Municipal Administration & Communications Card Co. Ltd. and our wholly owned subsidiary Star Mobile DNA Payment Gateway Ltd.

It is planned to deploy our second DNAPAY platform in Shenzhen jointly with Shenzhen Development bank serving all their DNA subscribes nation-wide in the first quarter of 2005.

The two platforms will be linked to maximize our business opportunities via enlarged client and merchant base. It is planned to establish more platforms of this kind at strategic geographic areas to complete our nation-wide presence within three years.

With the substantial improvement in market demand for E-banking security enhancement solution in both Hong Kong and China and the born of DNAPAY to broaden our revenue sources, I expect a more satisfactory result will be reported in our next annual statement.

I can say last year, though difficult was the year of cultivating and irrigating whereas the upcoming year is the year of harvesting. I would like to thank the Board of Directors, major shareholders and the group's employee for their hard work and dedication.