

Chairman's Statement

Credit Card DNA Security System (Holdings) Ltd. • Annual Report 2005

While e-banking as well as e-commerce were growing at a tremendous speed as envisioned, banks in both China and Hong Kong were prioritizing their resources in competing for higher market share in this regard and leaving little effort in enhancing the security of their systems at this stage, though understood to be mandatory in the immediate future. As a result, we were not able to reflect our business development effort for our core e-banking security products in the profit and loss position so far. We, the management, perfectly understand the slight improvement in terms of revenue and cost control during the period fell far short of your expectation. We have, therefore, developed the following strategy to strive for profitability and much better performance in the short future.

In response to the changing market situation, we have quickly reshaped the Company's management structure and commenced the implementation of a whole new business plan to capitalize on the e-commerce boom to secure the success of the Company.

To strengthen our management ability at strategic level, we have set up an Advisory Board being chaired by Mr. Zhou Dao Jiong, former president of China Construction bank in China. The Advisory Board will further be supported by a group of prominent figures in the finance sector as our advisory board members including: (i) Mr. Wang Shuming, formerly Vice Secretary-General of the State Council, Vice Secretary-General of the Standing Committee of the National People's Congress, Member of the Financial Committee of the Ninth National People's Congress; (ii) Mr. Li Hao, formerly Vice Secretary-General of the State Council, Vice Minister in Charge of the Financial Committee of the Eighth National People's Congress, formerly Secretary of the Municipal Committee of Shenzhen, Mayor; (iii) Ms. Bai Shizhen, formerly Vice President of the Bank of China, formerly President of China Oriental Asset Management Corporation; (iv) Ms. Liu Shulan, Vice President of the China Construction Bank, Vice President of the Institute of the Financial Accountants of China; (v) Mr. Chung S.M., Tim, formerly member of

HKSAR Executive Council; (vi) Mr. Fung Chi Kin, formerly member of HKSAR Legislative Council. They will advise on our future strategic direction and proper implementation of business plan for our long-term success.

Operationally, we have firstly expanded our product offerings from back end-security solution to front-end e-business applications for commercial as well as the banking sector. With the introduction of our present web-based electronic payment platform and newly developed web based e-business development tools for business entities, we are able to provide banks and their corporate customers with one-stop total solution for their e-business development. This expansion of our business scope will warrant our competitiveness in the market place and diversify our revenue opportunities into e-commerce and benefit from the e-commerce boom.

Secondly, we have implemented a more diversified marketing strategy to promote our products not only via our expanded direct sales force and outside contracted sales agents but also marketing our products jointly with other system and application software providers specialized in offering banking and e-commerce solutions. In addition, we are exploring the possibility to sell part of our core business inclusive of system products and patent right by geographical region, business sectors or types of banks to maximize our market penetration and revenue opportunities.

I am confident that with the implementation of aforesaid plans, our Company shall grow rapidly in line with e-commerce industry in Hong Kong and China in the year to come.

I would like to thank the Board of Directors, the Group's employees for their hard work and dedication and all shareholders for their patient and understanding and last but not least, our new strategic investors, without their financial resources we might not be able to implement the full range of business strategy as stated.