



CREDIT CARD DNA SECURITY SYSTEM (HOLDINGS) LTD

*formerly known Star Bio-Tech (Holdings) Limited
(Incorporated in Bermuda with limited liability)*

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2002

GROUP RESULTS

The board of directors (the "Board") of Credit Card DNA Security System (Holdings) Ltd (the "Company") (formerly known as Star Bio-Tech (Holdings) Ltd) announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30th June, 2002 together with the comparative figures for the corresponding year ended 30th June 2001. The Company's audit committee has reviewed the annual report.

CONDENSED CONSOLIDATED INCOME STATEMENT

		30.06.2002	Year ended	30.06.2001
	Notes	HK\$'000		HK\$'000
Turnover	2	28,221		30,071
Cost of sales		(26,112)		(26,473)
Gross profit		2,109		3,598
Other revenue		4,055		3,364
Distribution costs		(4,042)		(3,683)
Administrative expenses		(49,759)		(69,566)
Loss attributable to properties		(250)		(720)
Loss from operations	3	(47,887)		(67,007)
Finance costs		(1,637)		(2,549)
Gain (loss) attributable to investments		16,254		(26,737)
Gain on waiver of obligations		—		8,069
Impairment loss recognised in respect of property, plant and equipment		—		(4,480)
Loss before taxation		(33,270)		(92,704)
Taxation credit (charge)	4	117		(251)
Loss after taxation		(33,153)		(92,955)
Minority interest		2,147		472
Net loss for the year		(31,006)		(92,483)
Loss per share				
— Basic	5	(2.23) cents		(25.32) cents

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Adoption of new and revised Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. Adoption of these new and revised SSAPs has led to a number of changes in the Group's accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

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2. Segmental Information

Business segments

An analysis of the Group's turnover and contributions to operating results and segmental assets and liabilities by business segments is as follows:

For the year ended 30th June, 2002

	Manufacture and sales of food products (Note 1) HK\$ '000	Manufacture and sales of electronic products HK\$ '000	Sales of health products (Note 2) HK\$ '000	Provision of financial information services HK\$ '000	Provision of internet consultancy services (Note 1) HK\$ '000	Others HK\$ '000	Consolidation HK\$ '000
TURNOVER	8,546	14,847	243	4,209	–	376	28,221
SEGMENT RESULT	(9,138)	(9,479)	(2,001)	(570)	(239)	(3,092)	(24,519)
Unallocated corporate expenses							(23,368)
Less from operations							(47,887)
Finance costs							(1,637)
Gain attributable to investment							16,254
Loss before taxation							(33,270)
Taxation credit							117
Loss after taxation							(33,153)
Minority interests							2,147
Net loss for the year							(31,006)

Assets and Liabilities

as at 30th June, 2002

ASSETS

Segment assets	–	16,125	527	1,246	–	591	18,489
Unallocated corporate assets							41,688
Consolidated total assets							60,177

LIABILITIES

Segment liabilities	–	7,440	476	1,807	–	–	9,723
Unallocated corporate liabilities							24,614
Consolidated total liabilities							34,337

Other information:

Capital additions	–	450	1	14	–	4,700	5,165
Depreciation and amortisation	1,041	695	80	192	239	1,773	4,020

For the year ended 30th June, 2001

	Manufacture and sales of food products (Note 1) HK\$ '000	Manufacture and sales of electronic products HK\$ '000	Sales of health products (Note 2) HK\$ '000	Provision of financial information services HK\$ '000	Provision of internet consultancy services (Note 1) HK\$ '000	Others HK\$ '000	Consolidation HK\$ '000
TURNOVER	9,058	15,328	370	5,102	213	–	30,071
SEGMENT RESULT	(6,192)	(2,518)	(958)	(1,470)	(3,406)	–	(14,544)
Unallocated corporate expenses							(52,463)
Less from operations							(67,007)
Finance costs							(2,549)
Gain attributable to investments							(26,737)
Gain on waiver of obligations							8,069
Impairment loss recognised in respect of property, plant and equipment							(4,480)
Loss before taxation							(92,704)
Taxation charge							(251)
Loss after taxation							(92,955)
Minority interests							472
Net loss for the year							(92,483)

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	Manufacture and sales of food products (Note 1) HK\$'000	Manufacture and sales of electronic products HK\$'000	Sales of health products (Note 2) HK\$'000	Provision of financial information services HK\$'000	Provision of internet consultancy services (Note 1) HK\$'000	Others HK\$'000	Consolidation HK\$'000
Assets and Liabilities							
<i>as at 30th June, 2001</i>							
ASSETS							
Segment assets	36,033	25,833	1,538	918	565	–	64,887
Unallocated corporate assets							20,011
Consolidated total assets							84,898
LIABILITIES							
Segment liabilities	7,791	11,151	70	3,459	4,155	–	26,626
Unallocated corporate liabilities							44,687
Consolidated total liabilities							73,313
Other information:							
Capital additions	6,572	300	654	202	697	779	9,204
Depreciation and amortisation	2,870	283	45	148	274	618	4,238
Impairment loss recognised	4,480	–	–	–	–	18,000	22,480

Notes:

- In June 2002, the Group disposed of its entire interests in Chung Hwa Food & Beverages Limited, Chung Hwa Food & Beverages Holdings Limited, Harbin Dongfang (Hong Kong) Food Company Limited, Harbin HDL (New Zealand) Limited, Xiamen Dongchen Food Industry Company Limited, Full Support Technology Limited and other subsidiaries, which were mainly engaged in the manufacture and sales of food products and provision of internet consultancy services. Upon the completion of the disposal, the business segments of manufacture and sales of food products and provision internet consultancy services were regarded as discontinued operations.
- In July 2002, the Group disposed of its entire interest in Fu Yuk DNA Holistic Limited and other subsidiaries which were engaged in the sales of health products. Upon the completion of the disposal, the business segment of sales of health products will be regarded as discontinued operations.

Geographical segments

The following provides an analysis of the Group's turnover and contribution to loss from operations by geographical market, irrespective of the origin of the goods or services:

	Turnover		Contribution to loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	11,841	16,075	(35,096)	(59,304)
People's Republic of China, excluding Hong Kong ("PRC")	11,627	12,041	(12,069)	(7,489)
Other Asian countries	4,753	1,955	(722)	(214)
	<u>28,221</u>	<u>30,071</u>	<u>(47,887)</u>	<u>(67,007)</u>

The following is an analysis of the carrying amount of segment assets, capital addition analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	49,356	48,865	1,930	2,632
PRC	10,821	36,033	3,235	6,572
	<u>60,177</u>	<u>84,898</u>	<u>5,165</u>	<u>9,204</u>

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3. Loss from Operations

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs:		
Directors' remuneration	11,774	27,530
Other staff costs	12,375	13,501
Pension scheme contributions	317	329
Total staff costs	24,446	41,360
Auditors' remuneration:		
Current year	1,085	1,100
Overprovision in prior year	(20)	—
	1,065	1,100
Depreciation and amortisation		
Owned assets	3,999	4,238
Assets held under finance leases	21	—
Loss on disposal of property, plant and equipment	2,325	2,342
and after crediting:		
Interest income	115	903
Rental income from properties under operating leases, net of negligible outgoings (2001: outgoings of HK\$10,000)	156	533

4. Taxation credit (charge)

	2002 HK\$'000	2001 HK\$'000
The taxation credit (charge) comprises:		
Overprovision/(underprovision) of Hong Kong Profits Tax of a subsidiary of the Group in prior year	117	(251)

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for both periods.

The charge for current/prior period represented under-provision of Hong Kong Profits Tax of a subsidiary of the Group in prior year.

5. Loss Per Share

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year ended 30th June, 2002 of HK\$31,006,000 (2001: loss of HK\$92,483,000) and on the weighted average number of 1,392,643,841 (2001: weighted average number of 365,206,874) shares in issue during the year after adjustment for the effect of the share consolidation on 28th November, 2001 to consolidate every forty issued shares into one share.

No diluted loss per share has been presented for the current year as the exercise prices of the share options and conversion of convertible notes would result in a decrease in the loss per share.

FINAL DIVIDEND

The Board does not recommend the payment of dividend in respect of the year ended 30 June 2002 (2001: Nil).

AUDITORS' REPORT

TO THE MEMBERS OF CREDIT CARD DNA SECURITY SYSTEM (HOLDINGS) LIMITED
(FORMERLY STAR BIO-TECH (HOLDINGS) LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the financial statements which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

CREDIT CARD DNA SECURITY SYSTEM (HOLDINGS) LTD

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30th June, 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirement of the Hong Kong Companies Ordinance.

Without qualifying our opinion we draw to your attention that as shown in note 9 to the financial statements, the consolidated income statement for the year ended 30th June, 2001 included a gain on disposal of Vincent Honour Limited of HK\$7,468,000. Prior to disposal, Vincent Honour had been included in the financial statements on the basis of unaudited management accounts. Accordingly, we were unable to satisfy ourselves that the gain was fairly stated in the financial statements for the year ended 30th June, 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Liquidity and Capital Resources

The Group generally finances its operations with internally generated cash flows and raise the funds of HK\$45 million and HK\$2.3 million through the share placement and subscription and conversion of convertible notes respectively during the year. As at 31st March 2002, the Group's cash deposits and bank balances amounted to HK\$6.1 million.

The Group has maintained a sound capital structure, achieving a long-term gearing ratio of 57.5% and a current ratio of 2.16 as of the year end date.

Human Resources

As of 30th June 2002, the Group has a total workforce of approximately 165 people, while approximately 100 were employed in Shenzhen, China, the remaining worked in Hong Kong. The Group's employees are remunerated according to the nature of their duties and market trends, with incentives offered in the form of bonuses and share options based on individual performance.

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 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 part of core businesses 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 therefore 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 adjusted for 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 it 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.

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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 30 June 2002. For the twelve months ended 30 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 pre-empt 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. Separate agreements have been entered with three Chinese banks in the PRC to engage the use of this security technology. Infrastructures have been set up and test run with one of the banks has already started in October this year. 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. 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 number of cards used in the PRC, the Group expects a constant cash inflow from 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. In addition, the Group expects to contact more banks and financial institutions in the PRC in the near future for the expansion of the DNA business.

ARRANGEMENTS TO PURCHASE, REDEEM OR SELL THE COMPANYS LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Companys listed securities during the twelve months ended 30 June 2002.

CODE OF BEST PRACTICE

The Directors are of the opinion that the Company had complied with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the accounting year under review, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in Annual General Meeting in accordance with the Company's Bye-laws.

On behalf of the Board
Wong Kam Fu
Chairman

Hong Kong, 29 October 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Credit Card DNA Security System (Holdings) Limited (the "Company") will be held at Harbour View Rooms 3&4, 3/F., The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 27 November 2002, at 10:00 a.m. for the following purposes:-

CREDIT CARD DNA SECURITY SYSTEM (HOLDINGS) LTD

1. To receive and consider the audited Statements of Accounts and Reports of the Directors and Auditors for the year ended 30 June 2002.
2. To re-elect Directors and to authorise the Board of Directors to fix their remuneration.
3. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:-

(A) "THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company ("Shares") or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisations given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; and
 - (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on the Shares in accordance with the bye-laws of the Company,

shall not exceed 20 per cent. of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of the Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or stock exchange in any territory outside Hong Kong)."

(B) "THAT:

- (a) subject to paragraph (b) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company ("Shares") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the Shares may be listed and recognised for this purpose by The Securities and Futures Commission of Hong Kong and the Stock Exchange under The Hong Kong Code on Share Repurchases ("Recognised Stock Exchange") and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time or that of any other Recognised Stock Exchange, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate of the nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

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- (C) “THAT conditional upon the passing of the Resolutions Nos. 4(A) and 4(B) as set out in the notice of this Meeting, the general mandate granted to the directors of the Company (“Directors”) to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to Resolution No. 4(A) above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 4(B) above, provided that such amount shall not exceed 10 per cent. of the aggregate of the nominal amount of the share capital of the Company in issue at the date of passing of this Resolution.”

By order of the Board
Tam Pui Ling, Elaine
Company Secretary

Hong Kong, 29 October 2002

Notes:

1. Any member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.
3. The Register of Members of the Company will be closed from 25 November 2002 to 27 November 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the Annual General Meeting convened by the above notice, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing on Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 22 November 2002 for registration.

Please also refer to the published version of this announcement in The Standard dated 30 October 2002.