

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30th June, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 21 to 23 to the financial statements.

CHANGE OF NAME

Pursuant to a special resolution passed at a special general meeting held on 15th December, 2000, the name of the Company was changed from Star Cyberpower Holdings Limited to Star Bio-Tech (Holdings) Limited. With effect from 22nd December, 2000, 星光生物科技(控股)有限公司 was adopted as the Chinese translation of the new name of the Company.

RESULTS

The results of the Group for the year ended 30th June, 2001 are set out in the consolidated income statement on page 18 of the annual report.

No dividend was paid during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

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 64 of the annual report.

CONVERTIBLE NOTES

During the year, the Company issued convertible notes of HK\$28,800,000 and HK\$13,800,000 to independent third parties to provide general working capital to the Group.

The holders of convertible notes exercised their options to convert certain of convertible notes into 1,600,000,000 shares and 900,000,000 shares of the Company at conversion prices of HK\$0.018 and HK\$0.01 per share, respectively.

Details of those convertible notes outstanding at 30th June, 2001 are set out in note 32 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

During the year, the Company issued and allotted 33,425,890 shares of HK\$0.01 each to a creditor as part of the consideration for discharging the Group's obligations to this creditor pursuant to the financial restructuring exercise completed on 14th June, 2000.

The Company issued and allotted 150,000,000 and 1,200,000,000 shares of HK\$0.01 each at HK\$0.04 and HK\$0.018 per share respectively to Millennium Group Limited and other institutional investors as a result of private placements of shares to provide general working capital to the Group.

The Company also issued and allotted 1,600,000,000 shares and 900,000,000 shares of HK\$0.01 each to the holders of convertible notes at HK\$0.018 and HK\$0.01 per share respectively as a result of the conversion of the convertible notes.

The Company issued and allotted 1,260,000,000 shares of HK\$0.01 each to Wong Kam Fu, Nelson to satisfy the partial consideration for the acquisition of 80% interest in iTech Investments Inc ("iTech") and the number of share options granted to Wong Kam Fu, Nelson to acquire shares in the Company was reduced by 12,600,000,000 accordingly.

As a result of the exercise of share options by Wong Kam Fu, Nelson, the Company further issued and allotted 1,336,033,547 shares of HK\$0.01 each to Wong Kam Fu, Nelson.

Details of these and other movements in the share capital and share options of the Company during the year are set out in notes 29 and 30 to the financial statements.

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\$10,505,000 were acquired as a result of the acquisition of 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 20 to the financial statements.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

During the year, the Group acquired 70% interest in Thinking Group Holdings Limited, which was then reduced to 67% following a repurchase of the Group's shares.

The Group also further acquired 100% interest in Starstruck Group Limited ("Starstruck"), 80% interest in iTech and 100% interest in High Stone Assets Limited ("High Stone").

The Group also acquired 20% interest in Stareasy.com Limited.

The Group disposed of its entire interest in Vincent Honour Limited to independent third parties.

Details of the Group's principal subsidiaries and associates as at 30th June, 2001 are set out in notes 21 to 23 to the financial statements.

BORROWINGS

Details of bank loans of the Group are set out in the consolidated balance sheet on page 19 of the annual report.

No interest was capitalised by the Group during the year.

DIRECTORS' REPORT

DIRECTORS

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

Executive directors:

Wong Kam Fu, Nelson (<i>Chairman and Managing Director</i>)	
Chan Kwong On, Daniel	(appointed on 18th August, 2000)
Wong Kam Wing	(appointed on 22nd October, 2001)
Mahommed Bin Ali	(appointed on 6th November, 2000 and resigned on 11th October, 2001)
Zhang Ling Yu (<i>Deputy Chairman</i>)	(appointed on 3rd November, 2000 and resigned on 31st July, 2001)
Tan Bin	(appointed on 3rd November, 2000 and resigned on 31st July, 2001)
Chan Cheung Ming, Jacky	(resigned on 7th November, 2000)
Kwok Ying Chuen, Martin	(resigned on 31st May, 2001)
Law Wing Tak, Jack (<i>Deputy Chairman</i>)	(resigned on 11th October, 2001)
Wah Wang Kei, Jackie	(resigned on 11th October, 2001)

Non-executive directors:

Cheung Yu Shum, Jenkin	(resigned on 30th August, 2000)
Tam Wai Keung	(resigned on 30th August, 2000)

Independent non-executive directors:

Ha Ping	
Sum Mun Kid, Frederick	(appointed on 12th February, 2001)
Tam Siu Cheung	(appointed on 10th August, 2000 and resigned on 20th March, 2001)

Mr. Chan Kwong On, Daniel changed his directorship from a non-executive director to an executive director on 18th August, 2000.

In accordance with clauses 91 and 99 of the Company's Bye-laws, Messrs. Wong Kam Wing, Sum Mun Kid, Frederick, Chan Kwong On, Daniel and Ha Ping will retire and, being eligible, offer themselves for re-election.

The term of office of each 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, 2001, 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 kept by the Company under Section 29 of the SDI Ordinance or 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, Nelson <i>(Note)</i>	7,055,033,547

Note:

6,836,033,547 shares were beneficially owned by Sheung Hai Developments Limited and 219,000,000 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 and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 30th June, 2001, none of the directors of the Company, or their associates, had any interests in any securities of the Company or any of its associated corporations, 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' REPORT

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

As at 30th June, 2001, certain directors and former director* of the Company had share options granted by the Company to subscribe for its shares:

Name of director/ former director*	Exercisable period	Exercise price HK\$	Outstanding at 1.7.2000	Number of share options			Outstanding at 30.6.2001
				Granted during the year	Exercised during the year	Lapsed during the year	
Wong Kam Fu, Nelson	14.6.2000 13.6.2001	0.010	2,596,033,547	-	(1,336,033,547)	(1,260,000,000**)	-
	21.2.2001 20.2.2003	0.03842***	-	100,000,000	-	-	100,000,000
	30.4.2001 29.4.2003	0.0163	-	50,000,000	-	-	50,000,000
	7.5.2001 6.5.2003	0.0168	-	128,000,000	-	-	128,000,000
Law Wing Tak, Jack	21.2.2001 20.2.2003	0.03842***	-	132,000,000	-	-	132,000,000
	30.4.2001 29.4.2003	0.0163	-	10,000,000	-	-	10,000,000
	7.5.2001 6.5.2003	0.0168	-	25,500,000	-	-	25,500,000
	18.11.2001 17.11.2003	0.01	-	50,000,000	-	-	50,000,000
Wah Wang Kei, Jackie	21.2.2001 20.2.2003	0.03842***	-	71,000,000	-	-	71,000,000
	30.4.2001 29.4.2003	0.0163	-	10,000,000	-	-	10,000,000
	7.5.2001 6.5.2003	0.0168	-	25,500,000	-	-	25,500,000
	18.11.2001 17.11.2003	0.01	-	50,000,000	-	-	50,000,000
Chan Kwong On, Daniel	21.2.2001 20.2.2003	0.03842***	-	10,000,000	-	-	10,000,000
	30.4.2001 29.4.2003	0.0163	-	40,000,000	-	-	40,000,000
Mahomed Bin Ali	7.5.2001 6.5.2003	0.0168	-	50,000,000	-	-	50,000,000
Zhang Ling Yu*	21.2.2001 20.2.2003	0.03842***	-	100,000,000	-	-	100,000,000
	7.5.2001 6.5.2003	0.0168	-	100,000,000	-	-	100,000,000
Tan Bin*	7.5.2001 6.5.2003	0.0168	-	100,000,000	-	-	100,000,000
Kwok Ying Chuen, Martin*	21.2.2001 20.2.2003	0.03842***	-	35,000,000	-	(35,000,000)	-
	30.4.2001 29.4.2003	0.0163	-	10,000,000	-	(10,000,000)	-

** Upon the acquisition of 80% interest in iTech from Wong Kam Fu, Nelson by the issue and allotment of 1,260,000,000 shares of HK\$0.01 each in the Company, the number of shares options granted to Wong Kam Fu, Nelson was reduced by 1,260,000,000 accordingly.

*** The exercise price of the aforesaid share options was amended from HK\$0.0352 to HK\$0.03842.

Details of the Company's share option scheme are set out in note 30 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors, chief executive or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain director, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance discloses no person having an interest in 10% or more issued share capital of the Company as at 30th June, 2001.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th June, 2001, the largest and five largest customers accounted for approximately 12% and 30% of the Group's turnover, respectively, while the five largest suppliers accounted for less than 30% the Group's purchases.

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.

CONNECTED TRANSACTIONS

On 6th September, 2000, the Company, through a wholly-owned subsidiary, Star Cyberpower V.F. Limited, entered into an agreement with Wong Kam Fu, Nelson to acquire the entire interest in Starstruck at a consideration of HK\$950,000 for cash.

On 23rd February, 2001 the Company, through a wholly-owned subsidiary, Star Cyberpower Limited, entered into agreements with Wong Kam Fu, Nelson to acquire 80% interest in iTech and 100% interest in High Stone at an aggregate consideration of HK\$19,600,000. The consideration was satisfied by cash of HK\$7,000,000 and the issue of 1,260,000,000 shares of HK\$0.01 each.

As Wong Kam Fu, Nelson is a substantial shareholder of the Company and held the entire interest in both Starstruck, iTech and High Stone, the transaction constitutes a connected transaction for the Company under the Listing Rules.

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, 2001 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 44 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, NELSON

CHAIRMAN

Hong Kong, 30 November 2001