

▶▶ Report of the Directors

The directors submit herewith their report together with the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2003.

CHANGE OF COMPANY’S NAME

Pursuant to a special resolution passed at a special general meeting held on 14 August 2002, the name of the Company was changed from Ecopro Hi-Tech Holdings Limited to Starbow Holdings Limited with effect from 20 August 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company’s principal subsidiaries are set out in Note 19 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group’s performance by principal activities and geographical locations of operations for the year ended 31 March 2003 is set out in Note 16 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2003 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 18 to 58 of this annual report.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2003 (2002: Nil).

SUBSIDIARIES

Details of the Company’s subsidiaries as at 31 March 2003 are set out in Note 19 to the financial statements.

INTANGIBLE ASSETS

Details of movements in intangible assets of the Group during the year are set out in Note 17 to the financial statements.

TANGIBLE FIXED ASSETS

Details of movements in tangible fixed assets of the Group during the year are set out in Note 18 to the financial statements.

BORROWINGS AND INTERESTS CAPITALISED

Particulars of the Group’s borrowings as at 31 March 2003 are set out in Note 25 to the financial statements. No interest was capitalised by the Group during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the year are set out in Notes 27 and 28 to the financial statements respectively.

STAFF RETIREMENT BENEFITS

Details of staff retirement benefits of the Group are set out in Note 12 to the financial statements.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2003, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 29 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2003, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus in the amount of approximately HK\$110,578,000 is currently not available for distribution.

MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, sales to the five largest customers of the Group accounted for approximately 9% of the turnover for the year. Purchases from the five largest suppliers of the Group accounted for approximately 60% of the total purchases for the year. The largest customer and supplier of the Group accounted for approximately 6% and 36% of the turnover and the total purchases respectively for the year.

As far as the directors are aware, none of the directors, their associates or shareholders (who to the knowledge of the directors own more than 5% of the Company's issued share capital) were interested in at any time during the year in any of the above customers and suppliers.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in Note 35 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

Results	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	23,410	28,620	13,818	5,635	66,635
Loss from operations	(121,624)	(68,061)	(78,217)	(46,575)	(74,736)
Finance costs	(285)	(208)	(417)	(2,708)	(1,053)
Impairment loss on an associate	–	–	(3,891)	–	–
Loss from ordinary activities before taxation	(121,909)	(68,269)	(82,525)	(49,283)	(75,789)
Taxation	–	–	–	–	–
Minority interests	(14)	448	19	–	–
Loss attributable to shareholders	(121,923)	(67,821)	(82,506)	(49,283)	(75,789)
Assets and liabilities	As at 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Intangible assets	–	50,454	43,332	–	–
Tangible fixed assets	3,205	54,018	68,909	53,060	49,775
Current assets	31,440	33,228	67,932	214,661	35,136
Total assets	34,645	137,700	180,173	267,721	84,911
Current liabilities	19,686	42,253	33,941	63,539	48,401
Long-term portion of obligations under hire-purchase contracts	229	229	–	–	8,783
Long-term unsecured loans	–	–	–	1,980	–
Convertible bonds	–	–	–	60,000	–
Minority interests	32	18	11	–	–
Total liabilities and minority interests	19,947	42,500	33,952	125,519	57,184
Net assets	14,698	95,200	146,221	142,202	27,727
Capital and reserves:					
Share capital	44,780	74,639	62,639	45,344	87,022
Reserves	(30,082)	20,561	83,582	96,858	(59,295)
Shareholders' funds	14,698	95,200	146,221	142,202	27,727

DIRECTORS

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

Executive directors

Mr. Chi Chi Hung, Kenneth	(Appointed on 18 March 2003)
Mr. Hui Sze Yin, Clarence	(Appointed on 18 March 2003)
Mr. Chan Shun	(Appointed on 15 January 2003)
Mr. Tang Yiu Wing	
Ms. Au Mei Ki, Maggie	
Ms. Lai Chiu Fan, Fanny	(Resigned on 25 October 2002)
Mr. Ng Kai Shing	(Resigned on 22 May 2002)
Mr. Choy Hon Keung, Norman	(Resigned on 22 May 2002)

Independent non-executive directors

Mr. Lee Kin Chung, Simon	(Appointed on 18 March 2003)
Mr. So Hon Cheung, Stephen	
Mr. Ng King Wah	(Resigned on 30 May 2003)

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Chan Shun, Mr. Chi Chi Hung, Kenneth, Mr. Hui Sze Yin, Clarence, and Mr. Lee Kin Chung, Simon shall retire from office at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

In accordance with the Company's Bye-law 99, Mr. So Hon Cheung, Stephen will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of directors and the five highest paid individuals of the Group are set out in Notes 10 and 11 to the financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

None of the directors who is proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

(a) Ordinary shares of the Company

As at 31 March 2003, the interests of the directors, chief executives, and their respective associates in the shares in the equity or debt securities of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of Director	Number of ordinary shares	
	Personal Interest	Corporate Interest
Tang Yiu Wing	–	15,661,000 (note)

Note: The shares under Corporate Interest were held by Allied Great Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Tang Yiu Wing.

Save as disclosed above, as at 31 March 2003, none of the directors or chief executives, nor their respective associates, had any interests in any securities of the Company or any of its associated corporation as defined by the SDI Ordinance and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

(b) Share option

The Company has a share option scheme (the "Scheme") approved in an extraordinary general meeting on 21 September 1993 under which the directors may, at their discretion, invite any employees or executive directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. Details of share options granted to a former executive director are as follows:

Name	Number of share options				
	1st lot (Note 1)	2nd lot (Note 2)	Outstanding at 31 March 2002	Lapsed on 22 May 2002 (Note 3)	Outstanding at 31 March 2003
Ng Kai Shing	25,046,000	114,834,000	139,880,000	(139,880,000)	–

Notes:

1. These share options were granted on 24 November 1999 and were exercisable at a price of HK\$0.056 per share during the period from 1 June 2000 to 24 November 2002.
2. These share options were granted on 9 June 2000 and were exercisable at a price of HK\$0.029 per share during the period from 1 January 2001 to 9 June 2003.
3. The share options granted to this director lapsed following his resignation as a director of the Company on 22 May 2002.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES (continued)

Save for the Scheme 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 acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE ISSUED SHARE CAPITAL OF THE COMPANY

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the following parties had interests of 10% or more of the issued share capital of the Company:

Name of shareholder	Note	Number of ordinary shares held		Percentage of interest
		Direct interest	Deemed interest	
Mr. Chim Pui Chung	(a)	202,460,000	700,600,000	20.17%
Gallery Land Limited	(a)	700,200,000	–	15.64%
Golden Mount Limited	(a)	200,000	–	less than 0.1%
C. P. C. Nominees Limited	(a)	200,000	–	less than 0.1%
Great Sense Limited	(b)	874,600,000	–	19.53%
Mr. Tsang Chiu Ming	(b)	–	874,600,000	19.53%
Timing Sky Investment Limited	(c)	600,000,000	–	13.40%
Mr. Yue Wai Keung	(c)	–	600,000,000	13.40%
Mr. Chung Fook Kwong		500,020,000	–	11.16%

Notes:

- (a) Mr. Chim Pui Chung was deemed to be interested in and duplicated the Company's shares which were held by Mr. Chim Pui Chung's controlled corporations, namely Golden Mount Limited, C.P.C. Nominees Limited and Gallery Land Limited as at 31 March 2003. On 9 April 2003, Mr. Chim Pui Chung disposed of his entire holding of 903,060,000 shares of the Company to Elect Investments Limited, which was an indirect wholly owned subsidiary of New Times Group Holdings Limited (formerly known as Pacific Challenge Holdings Limited), a company listed on The Stock Exchange of Hong Kong Limited.
- (b) Great Sense Limited was wholly owned by Mr. Tsang Chiu Ming as at 31 March 2003. Mr. Tsang Chiu Ming was deemed to be interested in and duplicated the shares held by Great Sense Limited as at 31 March 2003.
- (c) Timing Sky Investment Limited was controlled by Mr. Yue Wai Keung as at 31 March 2003. Mr. Yue Wai Keung was deemed to be interested in and duplicated the shares held by Timing Sky Investment Limited as at 31 March 2003.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31 March 2003.

CORPORATE GOVERNANCE

The Company has throughout the year ended 31 March 2003 complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that independent non-executive directors are not appointed for a specific term but are subject to rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee comprising Mr. Lee Kin Chung, Simon and Mr. So Hon Cheung, Stephen, both of whom are independent non-executive directors of the Company. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

AUDITORS

The financial statements were audited by Messrs. HLB Hodgson Impey Cheng who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tang Yiu Wing

Chairman

Hong Kong, 28 July 2003