

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 30th September, 2001.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 26 to the accounts.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is set out in note 2 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 47.

The Directors have declared an interim dividend of HK\$0.017* per ordinary share, totalling approximately HK\$78,446,000, which was paid on 15th August, 2001.

The Directors recommend the payment of a final dividend of HK\$0.020* per ordinary share, totalling approximately HK\$95,046,000.

* The dividend per share has been adjusted for the effect of the share subdivision as mentioned below.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$63,000.

Fixed assets

Details of the movements in fixed assets of the Group and the Company are set out in note 10 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares or warrants during the year.

Share subdivision

By an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 22nd August, 2001, every ordinary share of HK\$0.10 in the issued and unissued share capital of the Company was subdivided into ten ordinary shares of HK\$0.01 each.

Share options and warrants

Details of share options and warrants issued and exercised are set out in note 20 to the accounts.

Particulars of bank loans and other borrowings

The particulars of bank loans and other borrowings as at 30th September, 2001 are set out in note 18 to the accounts.

Directors

The Directors during the year were:-

Mr. SZE Tsang Fai, Johnny
 Mr. SY Ethan, Timothy (previously known as Mr. SY Ching Tang, Timothy)
 Mr. YU Sze Kwok, Lewis
 Mr. CHEUNG Wing Yin, Vigny Wiley
 Mr. IP Man Tin, David *
 Mr. TAI Ah Lam, Michael *

* Independent Non-executive Directors

In accordance with Article 116 of the Articles of Association of the Company, Messrs. CHEUNG Wing Yin, Vigny Wiley and TAI Ah Lam, Michael shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Principal subsidiaries and jointly controlled entity

Details of the Company's principal subsidiaries as at 30th September, 2001 are set out in note 26 to the accounts.

Details of the Group's jointly controlled entity as at 30th September, 2001 are set out in note 12 to the accounts.

Distributable reserves

Details of distributable reserves of the Company as at 30th September, 2001 are set out in note 21 to the accounts.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

Directors' service contracts

Each of the Executive Directors has entered into a service contract with the Company for a term of three years commencing on 9th April, 1999. The contracts may be terminated by either party thereto, giving to the other, six months' prior notice in writing.

The four Executive Directors of the Company are entitled to fixed salaries of HK\$6,343,000 per annum in aggregate and any further performance-related bonus shall be determined by the Company having regard to, inter alia, the operating results of the Group. The maximum amount of discretionary bonus available to all the Executive Directors in a financial year shall be calculated in accordance with the following scale:

Profit after minority interests but before taxation and extraordinary items (HK\$)	Maximum % available for payment of bonus
(a) 0 - 150,000,000	5% thereon;
(b) 150,000,001 - 200,000,000	10% on the balance; and
(c) 200,000,001 +	15% on the balance.

In any case, the maximum amount of discretionary bonuses in a financial year will not be greater than 10% of the Group's profit after minority interests but before taxation and extraordinary items.

Report of the Directors

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company, its holding 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.

Connected transactions

As at 30th September, 2001, a wholly owned subsidiary of the Company, Freespeech Technology Limited, had loans receivable from a non-wholly owned subsidiary of the Company, Sino Media Group (SMG) Limited (formerly known as Chinese Sports Program Syndicating Company Limited), amounting to HK\$57 million for financing its working capital requirements. The loans are unsecured, interest bearing at the prevailing Hong Kong Interbank Offer Rate, which was 2.5% per annum at 30th September, 2001, and with no fixed terms of repayment.

Apart from the above, no other significant transactions were entered into by the Group during the year ended 30th September, 2001, which constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

Directors' interests in equity or debt securities

As at 30th September, 2001, the interests of the Directors and Chief Executive in the shares, share options and warrants of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Ordinary shares

Name of Director	Nature of interest	Number of ordinary shares*
Mr. SZE Tsang Fai, Johnny	Personal interests	100,000,000
	Family interests (note 1)	2,790,000,000
Mr. YU Sze Kwok, Lewis	Personal interests	8,080,000
	Family interests (note 2)	240,000
Mr. CHEUNG Wing Yin, Vigny Wiley	Personal interests	10,000,000

(b) Share options

Under a share option scheme approved by the shareholders of the Company, the Directors of the Company may, at their discretion, invite employees, including Executive Directors of the Company, to take up options to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. Particulars and movements of share options held by the Directors of the Company during the year were as follows:

Name of Director	Date of grant	Exercise price* HK\$	Number of share options outstanding as at 1st October, 2000*	Number of share options exercised during the year*	Number of share options outstanding as at 30th September, 2001*	Exercisable period
Mr. SZE Tsang Fai, Johnny	26th April, 1999	0.150	100,000,000	100,000,000	-	25th May, 1999 to 24th May, 2009
Mr. SY Ethan, Timothy	26th April, 1999	0.150	100,000,000	-	100,000,000	25th May, 1999 to 24th May, 2009
Mr. YU Sze Kwok, Lewis	23rd April, 1999	0.151	7,000,000	7,000,000	-	22nd May, 1999 to 21st May, 2009
Mr. CHEUNG Wing Yin, Vigny Wiley	23rd April, 1999	0.151	10,000,000	10,000,000	-	22nd May, 1999 to 21st May, 2009

(c) Warrants

Name of Director	Date of grant	Exercise price* HK\$	Number of warrants outstanding as at 1st October, 2000*	Number of warrants granted during the year*	Number of warrants exercised during the year*	Number of warrants outstanding as at 30th September, 2001*	Exercisable period
Mr. SZE Tsang Fai, Johnny	31st March, 1999 (note 1)	0.23	35,800,000	-	-	35,800,000	31st March, 1999 to 8th April, 2002
	27th August, 2001	0.68	-	11,111,111	-	11,111,111	27th August, 2001 to 26th August, 2004
Mr. YU Sze Kwok, Lewis	27th August, 2001 (note 2)	0.68	-	924,443	-	924,443	27th August, 2001 to 26th August, 2004
Mr. CHEUNG Wing Yin, Vigny Wiley	27th August, 2001	0.68	-	1,111,111	-	1,111,111	27th August, 2001 to 26th August, 2004

* The exercise price and the number of shares, share options and warrants have been adjusted for the effect of share subdivision as mentioned above.

Report of the Directors

Note:

- 1 These shares and warrants are registered in the name of Optimum Pace International Limited, the entire issued share capital of which is held by LGT Trust Management Limited as trustee of The Optimum Pace Trust, the discretionary objects of which include the wife of Mr. SZE Tsang Fai, Johnny.
- 2 These shares and warrants for subscribing 26,666 ordinary shares of the Company included in the above were held by Ms. WONG Sui Wan, Jacqueline, the wife of Mr. YU Sze Kwok, Lewis.

Except as disclosed above, as at 30th September, 2001, the Company did not grant any right to subscribe for shares of the Company and its associated corporations (within the meaning of the SDI Ordinance) to any Directors or Chief Executives of the Company or to their spouses or children under 18 years of age.

Apart from the above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 30th September, 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares*
Optimum Pace International Limited	2,790,000,000

* The number of shares has been adjusted for the effect of share subdivision as mentioned above.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	86.4%
– five largest suppliers combined	99.9%
Sales	
– the largest customer	7.7%
– five largest customers combined	21.2%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year, except that the Independent Non-executive Directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company. In the opinion of the Directors, this meets the same objective as the Code of Best Practice.

Audit committee

The Audit Committee, comprising two Independent Non-executive Directors, namely Mr. IP Man Tin, David, and Mr. TAI Ah Lam, Michael, and one Executive Director, Mr. SY Ethan, Timothy, was established on 27th June, 2000.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee met twice in 2001 in conjunction with the auditors to review the internal controls, interim results and final financial statements of the Group prior to recommending them to the Board for approval.

Pension scheme arrangements

On 1st December, 2000, the Group set up a Mandatory Provident Fund Scheme ("MPF Scheme") in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and are under the control of an independent trustee.

Both the Group and its employees are required to contribute 5% of the employees monthly salaries. The mandatory contributions required to be made by the Group and an employee are capped at HK\$1,000 per month. Members are entitled to 100% of the employers' mandatory contributions as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or in accordance with the rules of the MPF Scheme.

Certain employees of the Group make voluntary contributions to the MPF Scheme and the Group also makes voluntary contributions of an amount equivalent to that contributed by those employees to the MPF Scheme. The voluntary contribution represents the difference between the capped amount and 5% of the employees' monthly basic salaries. For the Group's voluntary contributions, the percentage of voluntary contributions vested in the employees is subject to their years of services with the Group. The employee's voluntary contributions are vested only during the term of employment with the Group.

The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group of approximately HK\$394,000 (2000: Nil). As at 30th September, 2001, unutilized forfeited voluntary contributions which are available to reduce the contribution payable by the Group in the future amounted to approximately HK\$20,000 (2000: Nil).

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



SZE Tsang Fai, Johnny
Chairman

Hong Kong, 11th December, 2001

Annual Report 2001
Global Tech (Holdings) Limited
F112.pdf