

# DIRECTORS' REPORT

The directors are pleased to present to shareholders their report and audited financial statements of the Company and of the Group for the financial year ended March 31, 2001.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company.

Its principal subsidiaries are engaged in the manufacture and sale of consumer electronic products.

## SEGMENTAL INFORMATION

Details of segmental information are set out in note 37 to the financial statements.

## RESULTS

The results of the Group for the year ended March 31, 2001 are set out in the consolidated income statement on page 37 and further analysis is given in the accompanying notes to the financial statements.

## DIVIDENDS

An interim dividend of 2.0 HK cents per share in cash with scrip option (2000: 2.0 HK cents per share in cash) was paid to the shareholders of the Company on February 6, 2001.

The directors of the Company have decided to recommend at the forthcoming annual general meeting to be held on August 28, 2001 a final dividend of 2.5 HK cents per share in cash (2000: 5.0 HK cents per share in cash with scrip option) to be paid on or about September 18, 2001 to shareholders whose names appear on the register of members of the Company on August 28, 2001. This proposed final dividend, together with the interim dividend already paid, will amount to a total dividend of 4.5 HK cents per share (2000: 7.0 HK cents per share) for the year.

## GROUP 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 2.

## SUBSIDIARIES AND ASSOCIATE

Details of the Company's principal subsidiaries at March 31, 2001 are set out in note 14 to the financial statements.

Details of the Company's interest in an associate at March 31, 2001 are set out in note 15 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

Details of movements in the share options of the Company during the year are set out in note 26 to the financial statements.

## RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in note 24 to the financial statements.

## INVESTMENT PROPERTIES

The Group has revalued its investment properties as at the balance sheet date.

Details of the valuation and changes in the investment properties of the Group during the year are set out in note 12 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and of the Company during the year are set out in note 13 to the financial statements.

## DONATIONS

During the year, the Group made charitable and other donations of HK\$250,000 (2000: HK\$25,000).

## BORROWINGS

Details of the Group's borrowings are set out in notes 21 and 22 to the financial statements. No interest was capitalised by the Group during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of purchases attributable to the Group's five largest suppliers in the year was, as last year, less than 30% of the Group's purchases.

The aggregate percentage of turnover attributable to the Group's five largest customers was approximately 49% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer was approximately 22% of the Group's turnover for the year.

None of the directors, their associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

## CONNECTED TRANSACTIONS

The following connected transactions were entered into by members of the Group during the year to which The Stock Exchange of Hong Kong Limited has granted conditional waivers to the Company from strict compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

- (1) Pursuant to a management services agreement ("IDTS Management Services Agreement") dated December 31, 1996 entered into between Integrated Display Technology Limited ("IDTL"), a wholly-owned subsidiary of the Company, and IDT Holdings (Singapore) Limited ("IDTS"), an approximate 63% owned subsidiary of the Company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Group (excluding IDTS and its subsidiaries ("IDTS Group")) has provided general corporate functions and logistic support to the IDTS Group and has distributed products manufactured by the IDTS Group through the marketing and distribution network of the Group (excluding the IDTS Group). During the year ended March 31, 2001, management service fee of HK\$50,551,000 was received by the Group (excluding the IDTS Group) from the IDTS Group under the IDTS Management Services Agreement.
- (2) Pursuant to a licence agreement ("Licence Agreement") dated December 31, 1996 entered into between the Company and IDTL as the licensors and IDTS as the licensee, the IDTS Group was granted the rights to use certain trademarks on their products for a period of 5 years and thereafter renewable at the option of the parties for every interval of five years. During the year ended March 31, 2001, no licence fee was received by the Company or IDTL under the Licence Agreement.
- (3) Pursuant to a management services agreement ("I-Comm Management Services Agreement") dated January 15, 2000 entered into between IDTL and I-Comm Technology Limited ("I-Comm"), a 75% owned subsidiary of the Company listed on the SGX-ST, the Group (excluding I-Comm and its subsidiaries ("I-Comm Group")) has provided to the I-Comm Group management services in respect of marketing, personnel and administrative functions, corporate services and electronic data processing and provided to the I-Comm Group certain office, factory, staff quarter and dormitory space. During the year ended March 31, 2001, management service fee of HK\$25,751,000 was received by the Group (excluding of the I-Comm Group) from the I-Comm Group under the I-Comm Management Services Agreement.

The independent non-executive directors of the Company have confirmed that the above transactions entered into with the IDTS Group and the I-Comm Group were conducted in the ordinary and usual course of business of the Company and in accordance with the terms of the relevant agreements mentioned above and were fair and reasonable so far as the shareholders of the Company were concerned. The total consideration of the transactions entered into with the IDTS Group had not exceeded 10% of the total turnover of the Group for the year ended March 31, 2001. The total consideration of the transactions entered into with the I-Comm Group had not exceeded 10% of the total turnover of the I-Comm Group for the year ended March 31, 2001.

The auditors of the Company have provided a letter to the directors (including the independent non-executive directors) of the Company stating that the above transactions have received the approval of the board of directors of the Company, the transactions were conducted in accordance with the terms of the relevant agreements governing the transactions, and total considerations of the transactions had not exceeded the respective limits as stated above for the year ended March 31, 2001.

## DIRECTORS

The directors of the Company who held office during the year and up to the date of this report are:

*Executive:*

Raymond Chan, *Chairman & Chief Executive Officer*

Alain Jacques Gilbert Li, *Chief Financial Officer*

(appointed on April 25, 2001)

Barry John Buttifant

(resigned on August 28, 2000)

Chan Pau Shiu Yeng, Shirley

Shigenobu Morita

*Non-Executive:*

Jack William Edouard Heuer

Lo Kai Yiu, Anthony\*

Kao Ying Lun\*

Jack Schmuckli\*

\* *Independent Non-Executive Directors*

At the forthcoming annual general meeting of the Company, Mrs. Chan Pau Shiu Yeng, Shirley and Mr. Jack Schmuckli will retire as directors by rotation in accordance with Bye-law 97 and Mr. Alain Jacques Gilbert Li will retire as a director in accordance with Bye-law 89 of the Company's Bye-laws. Being eligible, all of them offer themselves for re-election.

The term of office of each independent non-executive director is subject to retirement by rotation in accordance with the Company's Bye-laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than 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 a 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 SECURITIES

At March 31, 2001, the interests of the directors of the Company and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register kept under Section 29 of SDI Ordinance were as follows:

### Company

Name	Number of ordinary shares of HK\$0.10 each held			Number of share options
	Personal interests	Family interests	Corporate interests	
Raymond Chan	59,132,919	240,530,920 (Note 1)	842,275,225 (Note 3)	–
Alain Jacques Gilbert Li	–	–	–	–
Chan Pau Shiu Yeng, Shirley	69,538,526	901,408,144 (Note 2)	170,992,394 (Note 3)	–
Shigenobu Morita	2,527,476	–	–	437,500 (Note 4)
Jack William Edouard Heuer	4,000,000	–	–	–
Lo Kai Yiu, Anthony	1,424,439	–	–	–
Kao Ying Lun	–	–	–	–
Jack Schmuckli	–	–	–	–

### Subsidiaries

#### IDT Holdings (Singapore) Limited

Name	Number of ordinary shares of S\$0.20 each held			Number of share options
	Personal interests	Family interests	Corporate interests	
Shigenobu Morita	–	–	–	250,000 (Note 4)
Jack William Edouard Heuer	76,000	–	–	–

## DIRECTORS' INTERESTS IN SECURITIES (continued)

### Subsidiaries (continued)

#### I-Comm Technology Limited

Name	Number of ordinary shares of US\$0.05 each held			Number of share options
	Personal interests	Family interests	Corporate Interests	
Jack William Edouard Heuer	200,000	-	-	-
Shigenobu Morita	100,000	-	-	-
Lo Kai Yiu, Anthony	300,000	-	-	-
Jack Schmuckli	100,000	-	-	-

#### IDT-Tech Limited

Name	Number of ordinary shares of HK\$1.00 each held		
	Personal interests	Family interests	Corporate interests
Shigenobu Morita	78,000	-	-

#### Notes:

1. Mr. Raymond Chan is the husband of Mrs. Chan Pau Shiu Yeng, Shirley whose personal and corporate interests are also the family interests of Mr. Raymond Chan.
2. Mrs. Chan Pau Shiu Yeng, Shirley is the wife of Mr. Raymond Chan whose personal and corporate interests are also the family interests of Mrs. Chan Pau Shiu Yeng, Shirley.
3. 842,275,225 ordinary shares were held by Integrated Display Technology Limited, a company incorporated in the British Virgin Islands, and were beneficially owned by Mr. Raymond Chan. 170,992,394 ordinary shares were held by Raymax Time Company Limited, a company incorporated in the British Virgin Islands, and were beneficially owned by Mrs. Chan Pau Shiu Yeng, Shirley.
4. 437,500 share options granted under an employees' share option scheme of the Company are exercisable at the exercise price of HK\$0.509 per share. 50% of such share options are exercisable during the period from December 30, 1999 to December 29, 2008, and the remaining 50% are exercisable during the period from December 30, 2000 to December 29, 2008. 250,000 share options granted under an employees' share option scheme of IDT Holdings (Singapore) Limited are exercisable at the subscription price of US\$0.616 per share. 50% of such share options are exercisable during the period from December 30, 1999 to December 28, 2003, and the remaining 50% are exercisable during the period from December 30, 2000 to December 28, 2003.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the directors in trust for the Group, none of the directors or their associates had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at March 31, 2001, and none of the directors or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

## ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

The Company and two of its subsidiaries, IDT Holdings (Singapore) Limited ("IDTS") and I-Comm Technology Limited ("I-Comm"), each has an employees' share option scheme for the employees.

At the beginning of the year, share options in respect of 7,072,500 shares of IDTS were outstanding under the employees' share option scheme of IDTS ("IDTS Scheme"). Share options in respect of 2,730,000 shares, 2,374,750 shares and 1,662,500 shares of IDTS were granted, exercised and lapsed (owing to retirement of a director and resignation of employees) respectively during the year. At the end of the year, share options in respect of 5,765,250 shares of IDTS were outstanding under the IDTS Scheme with subscription prices at US\$0.616 per share, S\$2.149 per share and S\$1.424 per share. At the beginning of the year, no share option had ever been granted under the employees' share option scheme of I-Comm ("I-Comm Scheme"). Share options in respect of 7,300,000 shares and 300,000 shares of I-Comm were granted and lapsed (owing to resignation of an employee) respectively during the year. At the end of the year, share options in respect of 7,000,000 shares of I-Comm were outstanding under the I-Comm Scheme with subscription price of S\$0.37 per share.

Details of movements in the employees' share option scheme of the Company during the year are set out in note 26 to the financial statements. Details of share options granted to or exercised by the directors of the Company during the year and their outstanding balances at March 31, 2001 are shown above. Mr. Barry John Buttifant, who has resigned from the office of director of the Company on August 28, 2000, had outstanding options in respect of 5,250,000 shares of the Company and 1,250,000 shares of IDTS exercisable at HK\$0.492 per share and US\$0.721 per share respectively at the beginning of the year. These outstanding options have lapsed after Mr. Buttifant ceased to be a director.

Save as disclosed above and details set out in the directors' interests in securities in this report, 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 debentures of, the Company or any other body corporate.

## CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the employees' share option scheme of the Company set out in note 26 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights at March 31, 2001. Other than the issue and exercise of share options pursuant to the share option scheme of the Company as explained in note 26 to the financial statements, there was no issue or exercise of any convertible securities, options, warrants or similar rights of the Company during the year.

## SUBSTANTIAL SHAREHOLDERS

At March 31, 2001, the register of substantial shareholders kept under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company has not been notified of any interests representing 10% or more of the Company's issued share capital.

## COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended March 31, 2001.

The Company has established an Audit Committee comprising Mr. Lo Kai Yiu, Anthony (Chairman of the Audit Committee) and Mr. Kao Ying Lun, independent non-executive directors of the Company. In establishing the terms of reference for this Committee, the board of directors of the Company have had regard to the "Guide for Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda although there are no restrictions against such rights under the laws in Bermuda.

## AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the past three financial years. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the board of directors



**Raymond Chan**  
*Group Chairman & Chief Executive Officer*



**Alain J.G. Li**  
*Executive Director & Chief Financial Officer*

Hong Kong  
June 26, 2001