

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company.

Its subsidiaries are engaged principally in the design, development, manufacture, and sale and marketing of various consumer electronic products. Its associate is engaged in the manufacture and sale of printed circuit boards.

## 2. 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 ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. 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.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Foreign currencies

The revision to SSAP 11 "Foreign Currency Translation" has eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings, operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows (as appropriate). Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

## 3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

The results of subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal respectively, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions since April 1, 2001 is capitalised and amortised on a straight line basis over its useful economic life, generally not exceeding twenty years. Goodwill arising on acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves at the time of acquisition is included in the determination of the gain or loss on disposal.

### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisitions since April 1, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant leases is twenty years or less.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and any accumulated impairment losses.

Certain of the Group's land and buildings were revalued in previous accounting periods. Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 (Revised) "Property, Plant and Equipment" from the requirement to make revaluation on a regular basis of the Group's land and buildings revalued prior to 30 September 1995 and accordingly no further revaluation of land and buildings will be carried out.

The surplus arising on revaluation of property, plant and equipment in previous years was credited to the asset revaluation reserve. Any future decrease in net carrying amount of these assets will be charged to the income statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to previous revaluation of that particular asset. On the subsequent sale of revalued assets, the attributable revaluation surplus not yet transferred to revenue reserve in prior years will be transferred to revenue reserve.

The cost or valuation of leasehold buildings is depreciated over twenty-five years by equal annual instalments. The cost or valuation of leasehold land is amortised over the remaining period of the leases, or over a period of fifty years if shorter, by equal annual instalments. Freehold land is not amortised.

Depreciation is provided to write off the depreciable amount of other property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Furniture, fixtures and equipment	15 - 30%
Plant and machinery	15 - 50%
Motor vehicles	20%

In previous years, plant and machinery included plastic injection moulds ("moulds") which were depreciated at 15% per annum. The directors have re-assessed the depreciation rate applicable to moulds in view of the change of product life cycles. With effect from April 1, 2002, moulds are depreciated at 30% - 50% per annum, which reflects the Group's recent experience of the useful lives of the relevant assets. Such change in depreciation rate of moulds has increased the depreciation charge for the year by approximately HK\$10.1 million.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### Interest in an associate

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any identified impairment loss in the value of individual investments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### **Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised over the life of the project from the date of commencement of commercial operation subject to a maximum period of two years.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### **Patents and trademarks**

The cost of patents and trademarks is amortised over their estimated useful lives or, where shorter, a maximum period of five years.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### **Property held for resale**

Property held for resale is stated at the lower of cost and net realisable value. Cost represents net carrying value of the property at the time when it was reclassified from property, plant and equipment. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The principal portions of the corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement over the period of the respective lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### **Turnover**

Turnover represents the total amounts received and receivable for goods sold, less returns, to outside customers during the year.

### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has been passed.

Dividend income is recognised when the Group's right to receive payment has been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Mould construction income is recognised when construction is completed and the mould is delivered.

### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

The Group enters into foreign currency forward contracts to hedge specific foreign currency commitments and foreign currency monetary assets and liabilities. Gains and losses on contracts that hedge specific foreign currency commitments are deferred and recognised as part of the specific transaction hedged. Any gain or loss arising on other forward contracts is taken to the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and transferred to the Group's currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 4. OTHER OPERATING INCOME

	2003 HK\$'m	2002 HK\$'m
Other operating income includes the following items:		
Bank interest income	20.3	15.0
Exchange gain	13.3	–
Mould construction income	15.1	8.5
Rental income under operating leases, net of negligible outgoings	1.0	0.8
Forfeiture of payments from customers for certain product development projects terminated	–	7.0
Adjustment for insurance recovery of damages to inventories and property, plant and equipment due to flooding	–	(4.0)

## 5. PROFIT FROM OPERATIONS

	2003 HK\$'m	2002 HK\$'m
Profit from operations has been arrived at after charging:		
Directors' emoluments (note 6)	22.4	19.9
Other staff costs	370.7	305.9
Retirement benefits scheme contributions, net of forfeited contributions of HK\$0.4 million (2002: HK\$0.5 million)	8.4	10.1
Total staff costs	401.5	335.9
Less: Amount capitalised in development costs	(17.6)	(24.4)
	<b>383.9</b>	<b>311.5</b>
Amortisation of intangible assets		
– development costs (included under research and development expenses)	33.3	23.5
– patents and trademarks (included under administrative expenses)	–	0.1
Amortisation of goodwill (included under administrative expenses)	0.1	–
Auditors' remuneration	3.3	3.2
Deficit arising on revaluation of investment properties	0.2	–
Depreciation and amortisation of property, plant and equipment		
– owned assets	68.5	60.5
– assets held under finance leases	0.1	0.1
Loss on disposal of property, plant and equipment (Note)	16.1	5.8
Minimum lease payments paid under operating leases in respect of		
– land and buildings	32.9	33.7
– others	0.3	0.2
Write off of development costs (included under research and development expenses)	6.9	4.6

Note: Included in the amount above is an amount of HK\$8.5 million (2002: HK\$0.6 million), representing loss on disposal of moulds included in plant and machinery as a result of discontinued products.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	<b>2003</b> HK\$'m	2002 HK\$'m
Directors' fees	<b>1.4</b>	1.3
Other emoluments		
– Salaries and other benefits	<b>12.3</b>	11.5
– Performance related incentive payments	<b>8.4</b>	6.8
– Retirement benefits scheme contributions	<b>0.3</b>	0.3
	<b>22.4</b>	19.9

The amounts disclosed above included directors' fee of HK\$0.6 million (2002: HK\$0.6 million) and other emoluments of HK\$0.8 million (2002: HK\$0.3 million), representing consultancy fee included in salaries and other benefits, paid and payable to independent non-executive directors.

The directors' other emoluments above included operating lease rentals of HK\$1.0 million (2002: HK\$1.2 million) paid in respect of the accommodation provided to a director.

Emoluments of the directors were within the following bands:

	<b>Number of director(s)</b>	
	<b>2003</b>	2002
Nil up to HK\$1,000,000	<b>6</b>	5
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	<b>1</b>	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	<b>1</b>	1
HK\$4,500,001 to HK\$5,000,000	<b>1</b>	–
HK\$8,000,001 to HK\$8,500,000	–	1
HK\$8,500,001 to HK\$9,000,000	<b>1</b>	–

Of the five highest paid employees of the Group, four (2002: four) were directors of the Company whose emoluments are included in above. The emoluments of the remaining one (2002: one) highest paid individual are as follows:

	<b>2003</b> HK\$'m	2002 HK\$'m
Salaries and other benefits	<b>1.7</b>	2.3
Performance related incentive payments	<b>0.8</b>	0.2
Retirement benefits scheme contributions	–	–
	<b>2.5</b>	2.5

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the remaining highest paid individual were within the following bands:

	Number of employee(s)	
	2003	2002
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–

## 7. FINANCE COSTS

	2003 HK\$m	2002 HK\$m
Interest on bank and other borrowings wholly repayable within five years	(3.4)	(1.5)

## 8. OTHER NON-OPERATING INCOME

	2003 HK\$m	2002 HK\$m
Gain on deemed disposal arising from dilution of interest in a subsidiary listed on the Singapore Exchange Securities Trading Limited as a result of the exercise of share options	–	0.5

## 9. TAXATION

	2003 HK\$m	2002 HK\$m
The charge comprises:		
The Company and subsidiaries:		
Hong Kong Profits Tax		
– current year	(18.0)	(17.1)
– overprovision in prior years	1.2	1.4
Tax in other jurisdictions		
– current year	(5.5)	(5.6)
– overprovision in prior years	–	0.4
Deferred taxation credit (charge) (note 27)	2.6	(3.5)
	(19.7)	(24.4)
Share of taxation of an associate:		
Hong Kong Profits Tax	(0.1)	(0.3)
	(19.8)	(24.7)

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profit for the year.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 9. TAXATION (continued)

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Certain of the Group's subsidiaries in the People's Republic of China (the "PRC") (other than Hong Kong) are entitled to exemption from PRC income tax in their first two years of profitable operations, and thereafter are entitled to a relief of 50% on the normal income tax rate in the following three years.

The deferred taxation credit (charge) for the year is in respect of the following timing differences:

	2003 HK\$'m	2002 HK\$'m
Tax effect on timing differences in respect of:		
Excess of depreciation allowance claimed for tax purpose over depreciation charged in the financial statements	(0.9)	(1.3)
Deferred development costs allowable on an incurred basis for tax purpose	(1.9)	(2.7)
Taxation losses arising during the year	5.7	0.5
Attributable to a change in tax rate	(0.3)	–
	<b>2.6</b>	(3.5)

## 10. DIVIDENDS

	2003 HK\$'m	2002 HK\$'m
Additional prior year's final and special dividend paid as a result of the exercise of employees' share options	(0.1)	(0.1)
Interim dividend paid of 2.0 HK cents (2002: 1.0 HK cent) per share on 2,071,898,407 shares (2002: 2,070,288,407 shares)	(41.4)	(20.7)
Final dividend proposed of 5.0 HK cents (2002: 3.5 HK cents) per share on 2,072,048,407 shares (2002: 2,070,288,407 shares)	(103.6)	(72.5)
Special dividend proposed of nil (2002: 2.5 HK cents per share on 2,070,288,407 shares)	–	(51.7)
	<b>(145.1)</b>	(145.0)

At the meeting held on June 18, 2003, the directors proposed a final dividend of 5.0 HK cents per share for the year ended March 31, 2003. These proposed dividends, which are calculated on the Company's number of ordinary shares as at the balance sheet date, are subject to approval by the shareholders at the forthcoming annual general meeting and are not recognised as liabilities.

At the meeting held on June 18, 2002, the directors proposed a final dividend and special dividend of 3.5 HK cents and 2.5 HK cents per share respectively for the year ended March 31, 2002.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>2003</b> HK\$m	2002 HK\$m
Net profit for the year for the purpose of basic earnings per share	<b>150.0</b>	138.8
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	<b>(0.2)</b>	(0.2)
Net profit for the purpose of diluted earnings per share	<b>149.8</b>	138.6

Number of ordinary shares:

	<b>2003</b>	2002
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,071,671,243</b>	2,069,611,312
Effect of dilutive potential ordinary shares:		
Options	<b>4,785,890</b>	1,739,230
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,076,457,133</b>	2,071,350,542

## 12. INVESTMENT PROPERTIES

	<b>THE GROUP</b> HK\$m
VALUATION	
At April 1, 2002	6.6
Valuation deficit	(0.2)
<b>At March 31, 2003</b>	<b>6.4</b>

The investment properties of the Group were revalued at March 31, 2003 on an open market value basis by Vigers Hong Kong Ltd., an independent firm of professional valuers. The deficit arising on the revaluation amounting to HK\$0.2 million has been charged directly to the consolidated income statement.

The investment properties are situated in Hong Kong and are held under medium term leases. They are rented out under operating leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 13. PROPERTY, PLANT AND EQUIPMENT

	<b>Land and buildings</b>	<b>Furniture, fixtures and equipment</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
<b>THE GROUP</b>					
COST OR VALUATION					
At April 1, 2002	65.9	216.3	278.5	13.6	574.3
Currency realignment	3.6	3.7	–	0.8	8.1
Additions	0.7	26.4	13.6	3.6	44.3
Disposals	–	(11.0)	(31.9)	(1.2)	(44.1)
<b>At March 31, 2003</b>	<b>70.2</b>	<b>235.4</b>	<b>260.2</b>	<b>16.8</b>	<b>582.6</b>
Comprising:					
At cost	12.8	235.4	260.2	16.8	525.2
At valuation					
– 1993	49.3	–	–	–	49.3
– 1994	8.1	–	–	–	8.1
	70.2	235.4	260.2	16.8	582.6
DEPRECIATION AND AMORTISATION					
At April 1, 2002	14.8	87.1	118.0	7.1	227.0
Currency realignment	0.8	2.4	–	0.4	3.6
Provided for the year	2.3	29.7	34.5	2.1	68.6
Eliminated on disposals	–	(5.5)	(19.2)	(0.6)	(25.3)
<b>At March 31, 2003</b>	<b>17.9</b>	<b>113.7</b>	<b>133.3</b>	<b>9.0</b>	<b>273.9</b>
NET BOOK VALUE					
<b>At March 31, 2003</b>	<b>52.3</b>	<b>121.7</b>	<b>126.9</b>	<b>7.8</b>	<b>308.7</b>
At March 31, 2002	51.1	129.2	160.5	6.5	347.3

At March 31, 2003, the net book value of assets held under finance leases amounted to HK\$0.2 million (2002: HK\$0.3 million).

The valuation of land and buildings in 1993 was made by Vigers Hong Kong Ltd., an independent firm of professional valuers, at March 31, 1993, on an open market value and existing use basis.

The valuation of land and buildings in 1994 was made by Erwin Foes, a firm of architects in Germany, at May 6, 1993 on the average of gross rental basis and current market values basis, which are generally accepted valuation bases in Germany.

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## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of land and buildings of the Group includes land held under:

	<b>2003</b> HK\$'m	2002 HK\$'m
Medium term leases situated in Hong Kong	<b>38.3</b>	39.9
Freehold situated outside Hong Kong	<b>14.0</b>	11.2
	<b>52.3</b>	51.1

Had all the land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of the land and buildings would have been stated at HK\$27.6 million (2002: HK\$25.4 million).

## 14. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2003</b> HK\$'m	2002 HK\$'m
Unlisted investments, at deemed cost	<b>204.8</b>	204.8

The deemed cost of the unlisted investments is based on the underlying net assets of the subsidiaries attributable to the Group at the date of acquisition of the interest in the relevant subsidiaries.

Details of the principal subsidiaries of the Company at March 31, 2003 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Proportion of nominal value of issued ordinary capital/ registered capital		Principal activities
			Held by the Company and subsidiaries %	Attributable to the Group %	
<b>LCD consumer electronic products business</b>					
IDT Holdings (Singapore) Limited ("IDTS")	Singapore	S\$35,305,625	63	63	Investment holding
Exact-Time Company Limited	Hong Kong	HK\$2	100	63	Manufacture of consumer electronic products and plastic parts and provision of surface mount technology assembly services

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Proportion of nominal value of issued ordinary capital/ registered capital		Principal activities
			Held by the Company and subsidiaries %	Attributable to the Group %	
<b>LCD consumer electronic products business</b> (continued)					
展科電子(深圳)有限公司**	PRC	USD420,000	100	63	Manufacture and sale of consumer electronic products
Huger Electronics GmbH	Germany	DM3,500,000*	100	63	Marketing and distribution of consumer electronic products
IDT Technology Limited	Hong Kong	HK\$2	100	63	Trading of consumer electronic products
Rich Win Electronics Limited	Hong Kong	HK\$2	100	63	Trading of consumer electronic products
<b>Electronic personal information products business</b>					
IDT Data System Limited	Hong Kong	HK\$2	100	100	Trading of consumer electronic products
King Win Electronics Limited	Hong Kong	HK\$20	100	100	Manufacture of consumer electronic products
<b>Electronic learning products business</b>					
IDT Electronic Products Limited	Hong Kong	HK\$2	100	100	Trading of consumer electronic products
Ming Win Electronics Limited	Hong Kong	HK\$2	100	100	Manufacture of consumer electronic products
<b>Telecommunication products business</b>					
Top Treasure Group Limited	British Virgin Island	US\$1	100	100	Investment holding
I-Comm Technology Limited ("I-Comm")	Bermuda	US\$15,486,900	100	100	Investment holding

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## 14. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Proportion of nominal value of issued ordinary capital/ registered capital		Principal activities
			Held by the Company and subsidiaries %	Attributable to the Group %	
<b>Telecommunication products business</b> (continued)					
Integrated Display Technology Telecommunications (Shenzhen) Co., Ltd.**	PRC	RMB11,000,000	100	100	Manufacture and sale of telecommunication products
Super Win Electronics Limited	Hong Kong	HK\$2	100	100	Manufacture of telecommunication products
IDT Communication Technology Limited	Hong Kong	HK\$2	100	100	Trading of telecommunication products
Tekom Industries Limited	Hong Kong	HK\$10,000	100	100	Trading of telecommunication products
<b>Sales and distribution business</b>					
Oregon Scientific Australia Pty Limited	Australia	A\$2,010,000	100	100	Marketing and distribution of consumer electronic products
Oregon Scientific Brasil Ltda.	Brazil	BRL48,000	100	100	Marketing and distribution of consumer electronic products
Oregon Scientific France S.A.R.L.	France	EUR3,500,000	100	100	Marketing and distribution of consumer electronic products
Oregon Scientific Global Distribution Limited	Hong Kong	HK\$2	100	100	Marketing and distribution of consumer electronic products
Oregon Scientific Holdings (Europe) Limited	United Kingdom	GBP2	100	100	Investment holding
Oregon Scientific Ibérica, S.A.	Spain	EUR300,000	100	100	Marketing and distribution of consumer electronic products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 14. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Proportion of nominal value of issued ordinary capital/ registered capital		Principal activities
			Held by the Company and subsidiaries %	Attributable to the Group %	
<b>Sales and distribution business</b> (continued)					
Oregon Scientific Italia S.p.A.	Italy	EUR2,156,000	100	100	Marketing and distribution of consumer electronic products
Oregon Scientific (Japan) Limited	Japan	JPY10,000,000	100	100	Marketing and distribution of consumer electronic products
Oregon Scientific (U.K.) Limited	United Kingdom	GBP2,400,002	100	100	Marketing and distribution of consumer electronic products
Oregon Scientific, Inc.	United States of America	US\$2,060,000	100	100	Marketing and distribution of consumer electronic products
歐西亞貿易(上海)有限公司**	PRC	US\$200,000	100	100	Marketing and distribution of consumer electronic products
歐西亞電子(深圳)有限公司**	PRC	US\$420,000	100	100	Manufacture of consumer electronic products
IDT (Japan) Limited	Japan	JPY30,000,000	100	100	Trading of consumer electronic products
IDT (U.K.) Limited	United Kingdom	GBP2	100	100	Trading of consumer electronic products
IDT Enterprise (Shanghai) Ltd.**	PRC	US\$680,000	100	100	Trading of consumer electronic products
Innovative Products Manufacturing Company Limited	Hong Kong	HK\$2	100	100	Trading of consumer electronic products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 14. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Proportion of nominal value of issued ordinary capital/ registered capital		Principal activities
			Held by the Company and subsidiaries %	Attributable to the Group %	
<b>Corporate</b>					
Integrated Display Technology (Holdings) Limited	Hong Kong	HK\$1,000	100	100	Investment holding
Integrated Display Technology Limited	Hong Kong	HK\$6,000,000	100	100	Provision of group administrative services
萬威科技開發(深圳)有限公司**	PRC	USD420,000	100	100	Provision of group research and development services

\* Huger Electronics GmbH has paid-up surplus of DM1,800,000 in addition to the issued share capital of DM3,500,000.

\*\* Companies established in the PRC with limited liability.

Only Integrated Display Technology (Holdings) Limited is directly held by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Exact-Time Company Limited, King Win Electronics Limited, Ming Win Electronics Limited and Super Win Electronics Limited which operate in the PRC (other than Hong Kong) and the investment holding companies which have no definite place of operation, all of the above subsidiaries operate principally in their respective place of incorporation/establishment.

None of the subsidiaries had any debt securities outstanding as at March 31, 2003 or at any time during the year.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 15. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
Share of net assets	56.6	54.8
Market value at the balance sheet date	37.4	52.8

Details of the Group's associate as at March 31, 2003 are as follows:

Name of associate	Form of business structure	Place of incorporation	Principal place of operation	Proportion of nominal value of issued ordinary share capital held indirectly by the Company	Principal activities
Kyosha Holdings (Singapore) Limited	Incorporated	Bermuda	PRC (including Hong Kong)	37%	Manufacture and sale of printed circuit boards

Kyosha Holdings (Singapore) Limited is a company listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") with financial year end date of December 31. For the purposes of accounting for the results of the associate in the Group's financial statements, the latest audited financial statements of the associate have been used.

## 16. INTANGIBLE ASSETS

	Development costs HK\$'m	Patents and trademarks HK\$'m	Total HK\$'m
<b>THE GROUP</b>			
COST			
At April 1, 2002	120.4	1.7	122.1
Additional costs incurred	52.9	–	52.9
Write off	(16.2)	–	(16.2)
<b>At March 31, 2003</b>	<b>157.1</b>	<b>1.7</b>	<b>158.8</b>
AMORTISATION			
At April 1, 2002	70.4	1.7	72.1
Provided for the year	33.3	–	33.3
Eliminated on write off	(9.3)	–	(9.3)
<b>At March 31, 2003</b>	<b>94.4</b>	<b>1.7</b>	<b>96.1</b>
CARRYING AMOUNT			
<b>At March 31, 2003</b>	<b>62.7</b>	<b>–</b>	<b>62.7</b>
At March 31, 2002	50.0	–	50.0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 17. GOODWILL

	<b>THE GROUP</b>
	HK\$m
<hr/>	
COST	
Arising on acquisition of additional interest in a subsidiary during the year	18.2
Arising on deemed acquisition of additional interest in a subsidiary during the year	0.9
	<hr/>
<b>At March 31, 2003</b>	<b>19.1</b>
	<hr/>
AMORTISATION	
Provided for the year and balance at March 31, 2003	0.1
	<hr/>
CARRYING AMOUNT	
<b>At March 31, 2003</b>	<b>19.0</b>
<hr/>	

The amortisation period adopted for goodwill is twenty years.

## 18. LONG-TERM BANK DEPOSITS

The amount represents the aggregate sum of a number of US dollar denominated high-yield deposits placed with financial institutions with a tenor of five years or less. These deposits do carry a level of risk where interest earned could be nil if certain conditions based on formulae linked to London Inter-Bank Offered Rate are met.

Further details of the deposits are as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$m</b>	HK\$m
<hr/>		
Placed with:		
Aaa-rated* institution	<b>81.9</b>	–
Aa1-rated* institution	<b>156.0</b>	140.4
	<hr/>	<hr/>
	<b>237.9</b>	140.4
<hr/>		

\* According to Moody's Investors Service

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 19. INVENTORIES

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
Raw materials	91.8	69.2
Work in progress	23.7	17.2
Finished goods	223.4	214.5
	<b>338.9</b>	300.9

Included above are raw materials of HK\$8.3 million (2002: HK\$6.4 million), work in progress of HK\$0.7 million (2002: HK\$0.6 million) and finished goods of HK\$46.4 million (2002: HK\$45.2 million) which are carried at net realisable value.

## 20. PROPERTY HELD FOR RESALE

The property held for resale is stated at cost. It is situated in the PRC (other than Hong Kong) and is held under a long lease of not less than fifty years. In the opinion of the directors, the property held for resale is worth at least of its carrying value. It has been temporarily rented out under an operating lease during the year and is vacant at March 31, 2003.

## 21. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers a credit period normally ranging from letter of credit at sight to 30 days. A longer credit period of 45 to 60 days is granted to a few customers with long business relationship and strong financial position.

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
The following is an aged analysis of trade receivables at the balance sheet date:		
Not yet due	215.7	201.5
Overdue less than 30 days	42.0	24.8
Overdue 31 to 90 days	30.3	14.8
Overdue more than 90 days	5.3	7.6
	<b>293.3</b>	248.7
Other receivables	74.3	66.7
	<b>367.6</b>	315.4

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 22. TRADE AND OTHER PAYABLES

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
The following is an aged analysis of trade payables at the balance sheet date:		
Not yet due	127.2	96.0
Overdue less than 30 days	29.5	35.5
Overdue 31 to 90 days	2.9	10.6
Overdue more than 90 days	2.9	1.3
	<b>162.5</b>	143.4
Other payables	<b>144.1</b>	110.7
	<b>306.6</b>	254.1

## 23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'m	2002 HK\$'m	2003 HK\$'m	2002 HK\$'m
<b>THE GROUP</b>				
Amounts payable under finance leases:				
Within one year	0.1	0.1	0.1	0.1
Between one and two years	0.1	0.2	0.1	0.2
	<b>0.2</b>	0.3	<b>0.2</b>	0.3
Less: Future finance charges	-	-	-	-
Present value of obligations under finance leases	<b>0.2</b>	0.3	<b>0.2</b>	0.3
Less: Amount due within one year shown under current liabilities			<b>(0.1)</b>	(0.1)
Amount due after one year			<b>0.1</b>	0.2

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 24. UNSECURED BANK BORROWINGS

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
Bills payable and import loans	7.6	3.9
Bank loans	49.7	11.0
Bank overdrafts	–	0.2
	<b>57.3</b>	15.1

## 25. SHARE CAPITAL

	2003 \$'m	2002 \$'m
Authorised:		
3,500,000,000 (2002: 3,500,000,000) ordinary shares of HK\$0.10 each	<b>HK\$350.0</b>	HK\$350.0
10,000 (2002: 10,000) ordinary shares of US\$0.10 each	–	–
Issued and fully paid:		
2,072,048,407 (2002: 2,070,288,407) ordinary shares of HK\$0.10 each	<b>HK\$207.2</b>	HK\$207.0

The movements in the share capital of the Company are summarised as follows:

Authorised:

	Ordinary shares of HK\$0.10 each		Ordinary shares of US\$0.10 each	
	Number of shares	Amount HK\$'m	Number of shares	Amount HK\$'m
At April 1, 2001	2,500,000,000	250.0	10,000	–
Increase in share capital	1,000,000,000	100.0	–	–
At March 31, 2002 and March 31, 2003	3,500,000,000	350.0	10,000	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 25. SHARE CAPITAL (continued)

Issued and fully paid:

	Number of shares	Amount HK\$m
At April 1, 2001	2,065,932,907	206.6
Issue of shares on the exercise of share options	4,355,500	0.4
At March 31, 2002	2,070,288,407	207.0
Issue of shares on the exercise of share options	1,760,000	0.2
<b>At March 31, 2003</b>	<b>2,072,048,407</b>	<b>207.2</b>

Changes in the share capital of the Company during the year ended March 31, 2002 are as follows:

- (a) Pursuant to an ordinary resolution passed in the annual general meeting of the Company held on August 28, 2001, the authorised share capital of the Company was increased from HK\$250,000,000 and US\$1,000 divided into 2,500,000,000 ordinary shares of HK\$0.10 each and 10,000 ordinary shares of US\$0.10 each respectively to HK\$350,000,000 and US\$1,000 divided into 3,500,000,000 ordinary shares of HK\$0.10 each and 10,000 ordinary shares of US\$0.10 each respectively by the creation of 1,000,000,000 additional ordinary shares of HK\$0.10 each. Such new shares rank pari passu in all respects with the then existing shares in the share capital of the Company.
- (b) The Company allotted and issued a total of 4,355,500 ordinary shares of HK\$0.10 each for cash at the exercise price of HK\$0.509 per share as a result of the exercise of employees' share options.

All shares issued during the year ended March 31, 2002 above rank pari passu in all respects with the then existing shares in issue.

Changes in the share capital of the Company during the current year are as follows:

- (c) The Company allotted and issued a total of 1,610,000 and 150,000 ordinary shares of HK\$0.10 each for cash at the exercise prices of HK\$0.509 per share and HK\$0.525 per share respectively as a result of the exercise of employees' share options.

All shares issued during the current year rank pari passu in all respects with the then existing shares in issue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 26. RESERVES

	<b>Asset revaluation reserve</b> HK\$'m	<b>Currency translation reserve</b> HK\$'m	<b>Capital reserve</b> HK\$'m	<b>Share premium</b> HK\$'m	<b>Revenue reserve</b> HK\$'m	<b>Total</b> HK\$'m
<b>THE GROUP</b>						
At April 1, 2001	38.3	(7.4)	3.7	61.1	753.7	849.4
Currency realignment	–	(2.9)	–	–	–	(2.9)
Premium on issue of shares as a result of the exercise of share options	–	–	–	1.8	–	1.8
Realised on dilution of interest in a subsidiary	(0.1)	0.1	–	–	–	–
Transfer to revenue reserve upon disposal of leasehold land and buildings	(4.4)	–	–	–	4.4	–
Net profit for the year	–	–	–	–	138.8	138.8
Dividends paid	–	–	–	–	(72.4)	(72.4)
At March 31, 2002	33.8	(10.2)	3.7	62.9	824.5	914.7
Currency realignment	–	15.9	–	–	–	15.9
Premium on issue of shares as a result of the exercise of share options	–	–	–	0.7	–	0.7
Net profit for the year	–	–	–	–	150.0	150.0
Dividends paid	–	–	–	–	(165.7)	(165.7)
<b>At March 31, 2003</b>	<b>33.8</b>	<b>5.7</b>	<b>3.7</b>	<b>63.6</b>	<b>808.8</b>	<b>915.6</b>
Attributable to an associate:						
<b>At March 31, 2003</b>	<b>–</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>–</b>	<b>29.5</b>	<b>28.5</b>
At March 31, 2002	–	(0.5)	(0.5)	–	27.7	26.7

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 26. RESERVES (continued)

	<b>Contributed surplus</b> HK\$'m	<b>Share premium</b> HK\$'m	<b>Accumulated profits</b> HK\$'m	<b>Total</b> HK\$'m
<b>THE COMPANY</b>				
At April 1, 2001	126.2	61.1	132.7	320.0
Premium on issue of shares as a result of the exercise of share options	–	1.8	–	1.8
Net profit for the year	–	–	68.2	68.2
Dividends paid	–	–	(72.4)	(72.4)
At March 31, 2002	126.2	62.9	128.5	317.6
Premium on issue of shares as a result of the exercise of share options	–	0.7	–	0.7
Net profit for the year	–	–	278.0	278.0
Dividends paid	–	–	(165.7)	(165.7)
<b>At March 31, 2003</b>	<b>126.2</b>	<b>63.6</b>	<b>240.8</b>	<b>430.6</b>

The capital reserve of the Group comprises HK\$17.7 million (2002: HK\$17.7 million) in respect of negative goodwill offset by HK\$14.0 million (2002: HK\$14.0 million) in respect of goodwill.

The contributed surplus of the Company arises from the difference between the nominal amount of the share capital issued by the Company and the book value of the underlying net assets of Integrated Display Technology (Holdings) Limited acquired as a result of a group reorganisation in 1990, less amount subsequently capitalised as a result of the bonus issue of shares in 2000.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the balance sheet date are as follows:

	<b>2003</b> HK\$'m	2002 HK\$'m
Contributed surplus	<b>126.2</b>	126.2
Accumulated profits	<b>240.8</b>	128.5
	<b>367.0</b>	254.7



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 27. DEFERRED TAXATION

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
At beginning of the year	11.0	7.5
(Credit) charge for the year (note 9)	(2.6)	3.5
At end of the year	8.4	11.0

At the balance sheet date, the components of the deferred taxation liabilities (assets) provided for in the financial statements are as follows:

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
Tax effect on timing differences in respect of:		
Excess of depreciation allowance claimed for tax purpose over depreciation charged in the financial statements	7.5	9.0
Deferred development costs allowable on an incurred basis for tax purpose	10.9	7.9
Unutilised estimated taxation losses carried forward	(10.0)	(5.9)
	8.4	11.0

At the balance sheet date, the major components of the net potential deferred taxation liabilities (assets) not provided for in the financial statements are as follows:

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
Excess of depreciation allowance claimed for tax purpose over depreciation charged in the financial statements	7.4	8.3
Unutilised estimated taxation losses carried forward	(7.3)	–
Other timing differences	(5.1)	(1.1)
	(5.0)	7.2

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 27. DEFERRED TAXATION (continued)

The major components of the net potential deferred taxation charge (credit) not provided for in the financial statements during the year are as follows:

	<b>THE GROUP</b>	
	<b>2003</b> HK\$'m	2002 HK\$'m
Difference between depreciation allowance claimed for tax purpose and depreciation charged in the financial statements	<b>(0.9)</b>	(0.5)
Deferred development costs allowable on an incurred basis for tax purpose	–	(0.1)
Taxation losses (arising) utilised during the year	<b>(7.3)</b>	5.3
Other timing differences	<b>(4.0)</b>	(1.1)
	<b>(12.2)</b>	3.6

The net potential deferred taxation has not been provided in the financial statements as it is not expected that the timing differences will reverse in the foreseeable future after taking into account of the Group's medium term financial plans and projections.

Deferred taxation has not been provided on the valuation surplus arising from the revaluation of the leasehold land and buildings as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation surplus does not constitute a timing difference for taxation purposes.

The Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

## 28. MAJOR NON-CASH TRANSACTION

In 2002, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$0.3 million (2003: nil).

## 29. CONTINGENT LIABILITIES

	<b>THE GROUP</b>	
	<b>2003</b> HK\$'m	2002 HK\$'m
Bills discounted with recourse	–	0.4

	<b>THE COMPANY</b>	
	<b>2003</b> HK\$'m	2002 HK\$'m
Guarantees given to banks to secure general banking facilities granted to subsidiaries – extent of facilities utilised	<b>55.3</b>	12.7

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 30. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
Land and buildings:		
Within one year	27.8	28.4
After one year but not more than five years	58.9	56.5
After five years	27.8	29.5
	114.5	114.4
Others:		
Within one year	0.4	0.1
After one year but not more than five years	0.6	0.2
	1.0	0.3

The lease payments are fixed and no arrangements have been entered into for contingent rental payments.

### The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
Within one year	1.0	0.1
In the second to fifth year inclusive	0.8	–
	1.8	0.1

The properties held have committed tenants for the next two years.

The Company did not have any operating lease commitments at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 31. CAPITAL COMMITMENTS

	THE GROUP	
	2003 HK\$'m	2002 HK\$'m
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of property, plant and equipment	2.3	2.6
– development costs	–	0.2
– investment in a subsidiary	–	2.7
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	16.6	26.0
	<b>18.9</b>	31.5

The Company did not have any significant capital commitments at the balance sheet date.

## 32. FORWARD CONTRACT COMMITMENTS

At the balance sheet date, the Group had the following outstanding forward contract commitments:

	THE GROUP	
	2003	2002
Principal amounts of forward contracts held for hedging purposes against trading transactions and monetary assets and liabilities:		
Sales of Euro	–	EUR2,335,000
Sales of Great Britain Pounds	<b>GBP731,232</b>	–
Sales of United States Dollars	<b>US\$5,550,000</b>	US\$14,000,000
Purchases of Hong Kong Dollars	<b>HK\$43,310,000</b>	HK\$109,235,000
Purchases of United States Dollars	<b>US\$1,182,329</b>	US\$2,043,500

In addition, at the balance sheet date, the Group had outstanding options given to certain financial institutions which may require the Group to sell to the financial institutions on specified exercisable dates during May 2003 to July 2003 (2002: April 2002 to June 2002) the following foreign currencies:

	Amount	Strike price US\$
<b>At March 31, 2003</b>		
Euro	<b>EUR7,000,000</b>	<b>1.074 - 1.090</b>
At March 31, 2002		
Euro	EUR25,000,000	0.865 - 0.880
Great Britain Pounds	GBP5,000,000	1.410
Australian Dollars	A\$10,000,000	0.507 - 0.512

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 33. SHARE OPTION SCHEMES

The Group offers share options to attract, motivate and retain key employees who contribute to the growth of the Group.

At the special general meeting held on August 28, 2002, the Company adopted a new share option scheme ("2002 IDT International Option Scheme") and terminated its old share option scheme adopted previously on September 28, 1993 ("1993 IDT International Option Scheme").

The Company's two subsidiaries, IDTS and I-Comm, have each operated a share option scheme (referred to as the "IDTS Option Scheme" and "I-Comm Option Scheme" respectively) in the year. The I-Comm Option Scheme was terminated on March 31, 2003 by the sole shareholder of I-Comm after the de-listing of I-Comm from the SGX-ST.

The terms of each option scheme are described below:

### (A) 1993 IDT International Option Scheme

The 1993 IDT International Option Scheme was adopted on September 28, 1993 and terminated on August 28, 2002.

Pursuant to this scheme, the board of directors of the Company may, at its absolute discretion, offer to grant options to selected eligible participants, including full-time employees (including full-time executive directors) of the Company or any of its subsidiaries. Upon termination, no further options shall be granted under this scheme but in all other aspects, the provisions of the 1993 IDT International Option Scheme shall remain in force and all options granted prior to its termination shall continue to be valid and exercisable in accordance with the provisions thereof.

The maximum number of the Company's shares in respect of which options may be granted under the 1993 IDT International Option Scheme (together with any shares of the Company in respect of which options were outstanding) shall not, at any time, when aggregated with any of the Company's shares subject to any other share option schemes, exceed 10% of the issued share capital of the Company (excluding any shares of the Company issued upon the exercise of options granted). The maximum number of the Company's shares in respect of which options may be granted to an eligible participant shall not exceed 25% of the maximum aggregate number of the Company's shares subject to this scheme, and the aggregate exercise price in respect of all options granted to an eligible participant shall not exceed an amount equal to 6 times the amount of the then current gross basic annual salary of such participant.

The exercise price payable for an option granted under the 1993 IDT International Option Scheme shall be 85% of the average of the closing prices of the Company's shares for the five trading days immediately preceding the date of offer of such option or the nominal value of a share, whichever is the higher.

An offer for grant of option under this scheme must be accepted not later than 28 days after the date of offer, and HK\$1.00 is payable as consideration on acceptance. Options granted under this scheme may be exercised during the period commencing on the expiry of 6 calendar months after the commencement date (which is the date upon which such option was deemed to be granted and accepted) and expiring on the expiry date (which is ten years after the date of offer of such option).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 33. SHARE OPTION SCHEMES (continued)

### (A) 1993 IDT International Option Scheme (continued)

The movements of share options under the 1993 IDT International Option Scheme during the year ended March 31, 2002 and the balances at March 31, 2002 are set out below:

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Exercise price per share	Outstanding at 4.1.2001	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2002
Directors	12.29.1998	12.30.1999 to 12.29.2008	HK\$0.509	218,750	-	-	-	218,750
	12.29.1998	12.30.2000 to 12.29.2008	HK\$0.509	218,750	-	-	-	218,750
	8.30.2001	3.13.2002 to 8.30.2011	HK\$0.453	-	9,000,000	-	-	9,000,000
Employees	12.29.1998	12.30.1999 to 12.29.2008	HK\$0.509	2,759,750	-	(1,028,250)	(220,500)	1,511,000
	12.29.1998	12.30.2000 to 12.29.2008	HK\$0.509	6,738,500	-	(3,327,250)	(1,006,250)	2,405,000
	10.23.1999	10.24.2001 to 10.23.2009	HK\$0.713	1,000,000	-	-	(1,000,000)	-
	10.23.1999	10.24.2002 to 10.23.2009	HK\$0.713	750,000	-	-	(750,000)	-
	1.12.2001	1.13.2003 to 1.12.2011	HK\$0.525	150,000	-	-	-	150,000
	1.12.2001	1.13.2005 to 1.12.2011	HK\$0.525	150,000	-	-	-	150,000
				11,985,750	9,000,000	(4,355,500)	(2,976,750)	13,653,500

Nominal consideration for options granted during the year ended March 31, 2002 was received.

The movements of share options under the 1993 IDT International Option Scheme during the year ended March 31, 2003 and the balances at March 31, 2003 are set out below:

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Exercise price per share	Outstanding at 4.1.2002	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2003
Directors	12.29.1998	12.30.1999 to 12.29.2008	HK\$0.509	218,750	-	-	-	218,750
	12.29.1998	12.30.2000 to 12.29.2008	HK\$0.509	218,750	-	-	-	218,750
	8.30.2001	3.13.2002 to 8.30.2011	HK\$0.453	9,000,000	-	-	-	9,000,000
	4.11.2002	4.11.2004 to 4.10.2007	HK\$0.6545	-	1,000,000	-	-	1,000,000
Employees	12.29.1998	12.30.1999 to 12.29.2008	HK\$0.509	1,511,000	-	(544,500)	(2,500)	964,000
	12.29.1998	12.30.2000 to 12.29.2008	HK\$0.509	2,405,000	-	(1,065,500)	(262,500)	1,077,000
	1.12.2001	1.13.2003 to 1.12.2011	HK\$0.525	150,000	-	(150,000)	-	-
	1.12.2001	1.13.2005 to 1.12.2011	HK\$0.525	150,000	-	-	-	150,000
				13,653,500	1,000,000	(1,760,000)	(265,000)	12,628,500

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 33. SHARE OPTION SCHEMES (continued)

### (A) 1993 IDT International Option Scheme (continued)

Nominal consideration for options granted during the year ended March 31, 2003 was received.

The market prices of shares of the Company at the dates of exercise of share options during the year ended March 31, 2003 fell within the range between HK\$0.70 and HK\$0.80 (2002: between HK\$0.65 and HK\$0.75) per share.

### (B) 2002 IDT International Option Scheme

The 2002 IDT International Option Scheme was adopted on August 28, 2002 and will continue in operation for a maximum of ten years from such date.

Pursuant to this scheme, the board of directors of the Company or its authorised committee shall offer to grant options to selected eligible participants who may be employees, officers, agents, consultants or representatives, including executive or non-executive directors (including independent non-executive directors), of the Company or any of its subsidiaries who satisfy the selection criteria prescribed by the rules of such scheme.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2002 IDT International Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company, must not exceed (i) 30% of the number of the Company's issued shares from time to time; and (ii) 207,179,540 shares, representing 10% of the issued share capital of the Company as at August 28, 2002, the adoption date of the 2002 IDT International Option Scheme.

The total number of the Company's shares issued and which may be issued upon exercise of all options granted to a participant in any 12-month period immediately preceding the date of grant shall not exceed 1% of the number of shares in issue as at date of such grant. If the grant of options is offered to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, the total number of the Company's shares issued and which may be issued to such participant upon exercise of all options granted in any 12-month period up to and including the date of grant shall not exceed 0.1% of the number of shares then in issue and having an aggregate value in excess of HK\$5,000,000.

The subscription price for an option granted under the 2002 IDT International Option Scheme shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

An offer for grant of an option under this scheme must be accepted within 28 days from the date of offer, and HK\$1.00 is payable as consideration on acceptance. An option shall be exercisable during the period as determined by the board of directors of the Company or its authorised committee, which shall commence on a date after the expiry of a 6-month period after the date of grant and not exceed 10 years from the date of such grant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 33. SHARE OPTION SCHEMES (continued)

### (B) 2002 IDT International Option Scheme (continued)

The movements of share options under the 2002 IDT International Option Scheme during the year ended March 31, 2003 and the balances at March 31, 2003 are set out below:

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Exercise price per share	Outstanding at 4.1.2002	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2003
Directors	3.17.2003	3.18.2005 to 3.16.2013	HK\$0.780	-	500,000	-	-	500,000
	3.17.2003	3.18.2007 to 3.16.2013	HK\$0.780	-	500,000	-	-	500,000
Employees	8.30.2002	8.30.2004 to 8.29.2012	HK\$0.730	-	1,000,000	-	-	1,000,000
	10.18.2002	10.18.2003 to 10.17.2012	HK\$0.730	-	250,000	-	-	250,000
	10.18.2002	10.18.2005 to 10.17.2012	HK\$0.730	-	250,000	-	-	250,000
	2.28.2003	3.1.2005 to 2.27.2013	HK\$0.798	-	500,000	-	-	500,000
	2.28.2003	3.1.2007 to 2.27.2013	HK\$0.798	-	500,000	-	-	500,000
					-	3,500,000	-	-

Nominal consideration for options granted during the year ended March 31, 2003 was received.

### (C) IDTS Option Scheme

The IDTS Option Scheme was adopted on August 12, 1998 and will continue in operation for a maximum of ten years from such date.

Pursuant to this scheme, the committee ("IDTS Committee") appointed by the board of directors of IDTS to administer the IDTS Option Scheme shall, at its absolute discretion, offer to grant options to selected eligible participants who may include confirmed full-time employees of IDTS and its subsidiaries ("IDTS Group") and confirmed full-time employees of the Company and its subsidiaries not employed under the IDTS Group but who are involved in providing management services to the IDTS Group; and in both cases, the participants must have been in full-time employment for at least one year on or prior to the date of the grant of an option and are of the rank of supervisor (or equivalent rank) or above. A director of IDTS who satisfies the aforesaid criteria may only be granted an option if such grant of option and the related issue and allotment of shares of IDTS ("IDTS Shares") are approved by the shareholders of IDTS. Substantial shareholders of IDTS (as defined in the Companies Act of Singapore) are not eligible to participate in the IDTS Option Scheme.

The maximum number of IDTS Shares in respect of which options may be granted under the IDTS Option Scheme, when aggregated with any IDTS Shares subject to any other share option schemes of IDTS, shall not exceed 10% of the total issued share capital of IDTS from time to time. The total number of IDTS Shares in respect of which options may be granted to an eligible participant shall not exceed 25% of the total number of IDTS Shares in respect of which options may be granted under the IDTS Option Scheme. Not more than 50% of the total number of IDTS Shares in respect of which options may be granted under the IDTS Option Scheme may be granted to the executive directors of IDTS, general managers and staff of equivalent rank and above.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 33. SHARE OPTION SCHEMES (continued)

### (C) IDTS Option Scheme (continued)

The subscription price payable for an option granted under the IDTS Option Scheme shall be the higher of (i) a price to be determined by the IDTS Committee, such price being not less than 85% of the average of the last dealt prices of the IDTS Shares ("IDTS Market Price") on the SGX-ST for the five consecutive trading days immediately preceding the date of grant; or (ii) the nominal value of a IDTS Share. In compliance with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), options shall not be granted with a subscription price set at a discount to the IDTS Market Price since September 1, 2001.

An offer for grant of an option under this scheme must be accepted within 30 days from the date of offer, and HK\$1.00 is payable as consideration on acceptance. A granted option shall be exercisable during the period commencing after the first anniversary of the date of grant (or such later date as the IDTS Committee may determine) and expiring on the date immediately preceding the fifth anniversary of the date of such grant.

Whilst the IDTS Option Scheme is subject to its scheme rules and the listing rules of the SGX-ST, the requirements under Chapter 17 of the Listing Rules, if more onerous, shall apply.

The movements of the share options under the IDTS Option Scheme during the year ended March 31, 2002 and the balances at March 31, 2002 are set out below:

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Exercise price per share	Outstanding at 4.1.2001	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2002
Directors	12.29.1998	12.30.1999 to 12.28.2003	US\$0.616	125,000	-	-	-	125,000
	12.29.1998	12.30.2000 to 12.28.2003	US\$0.616	125,000	-	-	-	125,000
Other employees	12.29.1998	12.30.1999 to 12.28.2003	US\$0.616	466,500	-	(105,250)	-	361,250
	12.29.1998	12.30.2000 to 12.28.2003	US\$0.616	2,418,750	-	(502,750)	(62,500)	1,853,500
	8.14.2000	8.15.2001 to 8.13.2005	S\$2.149	100,000	-	-	-	100,000
	8.14.2000	8.15.2002 to 8.13.2005	S\$2.149	1,060,000	-	-	(150,000)	910,000
	8.14.2000	8.15.2003 to 8.13.2005	S\$2.149	300,000	-	-	(100,000)	200,000
	8.14.2000	8.15.2004 to 8.13.2005	S\$2.149	860,000	-	-	(50,000)	810,000
	1.12.2001	1.13.2003 to 1.11.2006	S\$1.424	155,000	-	-	-	155,000
	1.12.2001	1.13.2005 to 1.11.2006	S\$1.424	155,000	-	-	-	155,000
	1.4.2002	1.5.2003 to 1.3.2007	S\$1.132	-	125,000	-	-	125,000
	1.4.2002	1.5.2005 to 1.3.2007	S\$1.132	-	125,000	-	-	125,000
				5,765,250	250,000	(608,000)	(362,500)	5,044,750

Nominal consideration for option granted during the year ended March 31, 2002 was received.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 33. SHARE OPTION SCHEMES (continued)

### (C) IDTS Option Scheme (continued)

The movements of the share options under the IDTS Option Scheme during the year ended March 31, 2003 and the balances at March 31, 2003 are set out below:

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Exercise price per share	Outstanding at 4.1.2002	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2003
Directors	12.29.1998	12.30.1999 to 12.28.2003	US\$0.616	125,000	-	-	-	125,000
	12.29.1998	12.30.2000 to 12.28.2003	US\$0.616	125,000	-	-	-	125,000
Other employees	12.29.1998	12.30.1999 to 12.28.2003	US\$0.616	361,250	-	(65,000)	(62,500)	233,750
	12.29.1998	12.30.2000 to 12.28.2003	US\$0.616	1,853,500	-	-	(406,250)	1,447,250
	8.14.2000	8.15.2001 to 8.13.2005	\$2.149	100,000	-	-	(100,000)	-
	8.14.2000	8.15.2002 to 8.13.2005	\$2.149	910,000	-	-	(137,500)	772,500
	8.14.2000	8.15.2003 to 8.13.2005	\$2.149	200,000	-	-	-	200,000
	8.14.2000	8.15.2004 to 8.13.2005	\$2.149	810,000	-	-	(137,500)	672,500
	1.12.2001	1.13.2003 to 1.11.2006	\$1.424	155,000	-	-	-	155,000
	1.12.2001	1.13.2005 to 1.11.2006	\$1.424	155,000	-	-	-	155,000
	1.4.2002	1.5.2003 to 1.3.2007	\$1.132	125,000	-	-	(125,000)	-
	1.4.2002	1.5.2005 to 1.3.2007	\$1.132	125,000	-	-	(125,000)	-
				5,044,750	-	(65,000)	(1,093,750)	3,886,000

The market price of shares of IDTS at the date of exercise of share options during the year ended March 31, 2003 was approximately HK\$5.66 (2002: between HK\$5.92 and HK\$6.57) per share.

### (D) I-Comm Option Scheme

The I-Comm Option Scheme was adopted on January 17, 2000 and terminated on March 31, 2003. Upon termination, there were no outstanding options under the I-Comm Option Scheme.

Pursuant to this scheme, the committee ("I-Comm Committee") appointed by the board of directors of I-Comm to administer the I-Comm Option Scheme shall, at its absolute discretion, offer to grant options under the I-Comm Option Scheme to selected eligible participants. Eligible participants include (i) executive and non-executive directors and confirmed full-time employees of I-Comm and its subsidiaries ("I-Comm Group"); (ii) executive and non-executive directors and confirmed full-time employees of the Company and its subsidiaries other than the I-Comm Group ("Parent Group Employees"); and (iii) executive and non-executive directors and confirmed full-time employees of any associated company of I-Comm over which the I-Comm Group has operational control. I-Comm's controlling shareholders or their associates who satisfy the aforesaid criteria may only be granted options under the I-Comm Option Scheme if their participation and the number of shares of I-Comm ("I-Comm Shares") and terms of options to be granted are approved by the independent shareholders of I-Comm in separate resolutions for each of such participants.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 33. SHARE OPTION SCHEMES (continued)

### (D) I-Comm Option Scheme (continued)

The maximum number of I-Comm Shares in respect of which options may be granted under the I-Comm Option Scheme, when aggregated with any I-Comm Shares subject to any other share option schemes of I-Comm, shall not exceed 10% of the total issued share capital of I-Comm from time to time. The maximum number of I-Comm Shares in respect of which options may be granted to an eligible participant shall not exceed 25% of the aggregate number of I-Comm Shares issued and issuable under the I-Comm Option Scheme. The aggregate number of I-Comm Shares in respect of which options may be granted to Parent Group Employees shall not exceed 20% of the aggregate number of I-Comm Shares available under the I-Comm Option Scheme, and any option to be granted to a Parent Group Employee which, together with options already granted to such Parent Group Employee under the I-Comm Option Scheme, represents 5% or more of the aggregate number of I-Comm Shares available to Parent Group Employees collectively, shall be approved by the independent shareholders of I-Comm in a separate resolution. In addition, the aggregate number of I-Comm Shares available for grant of options to controlling shareholders of I-Comm or their associates shall not exceed 25% of the I-Comm Shares available under the I-Comm Option Scheme and no more than 10% shall be granted to each of such participants.

The subscription price payable for an option granted under the I-Comm Option Scheme shall, at the I-Comm Committee's discretion, be set at a price (i) equal to the average of the last dealt prices of the I-Comm Shares ("I-Comm Market Price") on the SGX-ST for the five consecutive trading days immediately preceding the date of grant; or (ii) at a discount not exceeding 15% of the I-Comm Market Price; given that in both cases, the subscription price shall not be less than the nominal value of a I-Comm Share. With effect from September 1, 2001, in compliance with the new requirements of the Listing Rules, the subscription price for an option granted under the I-Comm Option Scheme shall not be fixed at a discount to the I-Comm Market Price.

An offer for grant of an option under the I-Comm Option Scheme must be accepted within 30 days from the date of offer, and HK\$1.00 is payable as consideration on acceptance. A granted option with a subscription price fixed at the I-Comm Market Price shall be exercisable during the period commencing after the first anniversary of the date of grant (and any other conditions as may be introduced by the I-Comm Committee from time to time) and expiring on the tenth anniversary of the date of such grant.

After the de-listing of I-Comm from the SGX-ST, all the outstanding options granted previously under the I-Comm Option Scheme were acquired from the respective holders at a consideration of HK\$1.00 per each holder and such outstanding options were all tendered for cancellation.

The movements of share options under the I-Comm Option Scheme during the year ended March 31, 2002 and the balances at March 31, 2002 are set out below:

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Exercise price per share	Outstanding at 4.1.2001	Granted during the year	Exercised during the year	Lapsed/	Outstanding at 3.31.2002
							cancelled during the year	
Employees	10.30.2000	10.31.2002 to 10.29.2010	\$0.370	3,500,000	-	-	(350,000)	3,150,000
		10.31.2004 to 10.29.2010	\$0.370	3,500,000	-	-	(350,000)	3,150,000
	5.25.2001	5.26.2003 to 5.24.2011	\$0.250	-	300,000	-	-	300,000
		5.26.2005 to 5.24.2011	\$0.250	-	300,000	-	-	300,000
				7,000,000	600,000	-	(700,000)	6,900,000

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 33. SHARE OPTION SCHEMES (continued)

### (D) I-Comm Option Scheme (continued)

Nominal consideration for options granted during the year ended March 31, 2002 was received.

The movements of share options under the I-Comm Option Scheme during the year ended March 31, 2003 and the balances at March 31, 2003 are set out below:

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Exercise price per share	Outstanding at 4.1.2002	Granted during the year	Exercised during the year	Lapsed/ cancelled/ during the year	Outstanding at 3.31.2003
Employees	10.30.2000	10.31.2002 to 10.29.2010	\$0.370	3,150,000	-	-	(3,150,000)	-
		10.31.2004 to 10.29.2010	\$0.370	3,150,000	-	-	(3,150,000)	-
	5.25.2001	5.26.2003 to 5.24.2011	\$0.250	300,000	-	-	(300,000)	-
		5.26.2005 to 5.24.2011	\$0.250	300,000	-	-	(300,000)	-
				6,900,000	-	-	(6,900,000)	-

No charge is recognised in the income statements of the respective companies in respect of options granted under the above option schemes. Share options granted under the above option schemes are not recognised in the financial statements of the respective companies until such options are exercised. Upon exercise of options, the shares issued are recorded as the relevant company's additional share capital at nominal value of such shares and the excess of the exercise price/subscription price over the nominal value of the shares issued is recorded in the relevant company's share premium account.

## 34. RETIREMENT BENEFITS SCHEMES

The Group principally operates defined contribution retirement schemes for all qualifying employees, including directors. The assets of the schemes are held separately from those of the Group in funds under the control of independent trustees.

The retirement scheme cost represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

With the introduction of the Mandatory Provident Fund ("MPF") Scheme in the December 2000 in Hong Kong, the Group has restructured its retirement benefits arrangements for its employees in Hong Kong to comply with the MPF legislation. The Group has set up a MPF Scheme on December 1, 2000 by participating in a master trust scheme provided by an independent MPF service provider. All qualifying employees are required to participate in the MPF Scheme. Mandatory benefits are being provided under the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 35. RELATED PARTY TRANSACTIONS

During the year, a wholly-owned subsidiary of the Company made a voluntary conditional cash offer ("Offer") to acquire all the 309,738,000 issued shares of US\$0.05 each in the capital of I-Comm, a then 75% owned subsidiary listed on the SGX-ST, at an offer price of S\$0.30 per I-Comm Share in cash. The offer was made in order to enable the Company to privatise I-Comm which, in the opinion of the directors of the Company, would give the Group excluding I-Comm Group more flexibility in deploying and managing the resources of the Group and would enable the I-Comm Group to benefit from the economies of scale and of cost efficiency from being integrated with other members of the Group. Details of the related parties tendered valid acceptances pursuant to the Offer are as follows:

	<b>Number of I-Comm Shares tendered</b>	<b>Percentage of I-Comm Shares %</b>	<b>Cash consideration received</b>	
			<b>S\$</b>	<b>HK\$'m equivalents</b>
Directors of the Company accepting the Offer	2,978,000	0.96	893,400	3.9
Directors of the Company's subsidiaries accepting the Offer	425,000	0.14	127,500	0.6
<b>Total</b>	<b>3,403,000</b>	<b>1.10</b>	<b>1,020,900</b>	<b>4.5</b>

Upon completion of the compulsory acquisition following the close of the Offer, I-Comm became a wholly-owned subsidiary of the Company with effect from January 16, 2003.

Details of the above are set out in the announcements of the Company dated September 18, 2002 and December 5, 2002, and interim report for the six months ended September 30, 2002 of the Company issued on December 18, 2002.

## 36. SEGMENT INFORMATION

### (A) Business segments

The Group is principally engaged in the design, development, manufacture, and sale and marketing of various consumer electronic products and is organised into five operating divisions:

- Design, development, manufacturing, and sale and marketing of LCD consumer electronic products
- Design, development, manufacturing, and sale and marketing of telecommunication products
- Design, development, manufacturing, and sale and marketing of electronic personal information products
- Design, development, manufacturing, and sale and marketing of electronic learning products
- Design, development, manufacturing, and sale and marketing of other consumer electronic products

These operating divisions are the bases on which the Group reports its primary segment information.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 36. SEGMENT INFORMATION (continued)

### (A) Business segments (continued)

(i) An analysis of the Group's turnover and results by business segments is as follows:

	LCD consumer electronic products HK\$m	Tele- communication products HK\$m	Electronic personal information products HK\$m	Electronic learning products HK\$m	Other consumer electronic products HK\$m	Total HK\$m
<b>Year ended March 31, 2003</b>						
<b>TURNOVER</b>						
Branded sales	606.3	21.8	104.7	304.4	10.3	1,047.5
OEM/ODM sales	324.0	683.3	176.3	173.4	5.7	1,362.7
Total	930.3	705.1	281.0	477.8	16.0	2,410.2
<b>RESULT</b>						
Segment result	153.3	7.8	(14.1)	44.9	0.1	192.0
Interest income						20.3
Unallocated corporate expense						(0.2)
Profit from operations						212.1
Finance costs						(3.4)
Share of results of an associate						3.3
Profit before taxation						212.0
Taxation						(19.8)
Profit after taxation						192.2
Minority interests						(42.2)
Net profit for the year						150.0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 36. SEGMENT INFORMATION (continued)

### (A) Business segments (continued)

(i) (continued)

	LCD consumer electronic products HK\$m	Tele- communication products HK\$m	Electronic personal information products HK\$m	Electronic learning products HK\$m	Other consumer electronic products HK\$m	Total HK\$m
Year ended March 31, 2002						
TURNOVER						
Branded sales	614.0	–	113.9	187.3	9.6	924.8
OEM/ODM sales	317.6	623.7	146.5	215.4	5.5	1,308.7
Total	931.6	623.7	260.4	402.7	15.1	2,233.5
RESULT						
Segment result	162.6	16.1	4.9	27.0	(2.8)	207.8
Interest income						15.0
Unallocated corporate expense						(8.8)
Profit from operations						214.0
Finance costs						(1.5)
Other non-operating income						0.5
Share of results of an associate						4.1
Profit before taxation						217.1
Taxation						(24.7)
Profit after taxation						192.4
Minority interests						(53.6)
Net profit for the year						138.8

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 36. SEGMENT INFORMATION (continued)

### (A) Business segments (continued)

#### (ii) Other information

	LCD consumer electronic products HK\$m	Tele- communication products HK\$m	Electronic personal information products HK\$m	Electronic learning products HK\$m	Other consumer electronic products HK\$m	Total HK\$m
<b>Year ended March 31, 2003</b>						
<b>Capital additions</b>						
– Property, plant and equipment	16.8	5.1	7.1	8.9	6.4	44.3
– Development costs	13.3	10.1	11.2	18.3	–	52.9
– Goodwill	0.9	18.2	–	–	–	19.1
<b>Depreciation and amortisation</b>						
– Property, plant and equipment						
– Business segments	29.5	19.8	5.0	7.0	0.3	61.6
– Unallocated corporate items	–	–	–	–	–	7.0
– Intangible assets	10.4	8.8	3.7	10.4	–	33.3
– Goodwill	–	0.1	–	–	–	0.1
<b>Loss on disposal of property, plant and equipment</b>						
– Business segments	4.5	5.4	3.3	1.1	–	14.3
– Unallocated corporate items	–	–	–	–	–	1.8
<b>Write off of development costs</b>	–	2.1	2.2	2.6	–	6.9
<b>Year ended March 31, 2002</b>						
<b>Capital additions</b>						
– Property, plant and equipment	21.6	10.6	4.1	4.6	3.3	44.2
– Development costs	12.9	13.9	6.2	12.6	–	45.6
<b>Depreciation and amortisation</b>						
– Property, plant and equipment						
– Business segments	27.1	17.7	3.8	4.6	0.2	53.4
– Unallocated corporate items	–	–	–	–	–	7.2
– Intangible assets						
– Business segments	9.0	5.2	2.9	6.4	–	23.5
– Unallocated corporate items	–	–	–	–	–	0.1
<b>Loss on disposal of property, plant and equipment</b>						
– Business segments	0.9	0.2	0.7	4.0	–	5.8
<b>Write off of development costs</b>	–	3.0	1.6	–	–	4.6



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 36. SEGMENT INFORMATION (continued)

### (A) Business segments (continued)

(iii) An analysis of the Group's balance sheet by principal activities is as follows:

	LCD consumer electronic products HK\$m	Tele- communication products HK\$m	Electronic personal information products HK\$m	Electronic learning products HK\$m	Other consumer electronic products HK\$m	Total HK\$m
<b>At March 31, 2003</b>						
<b>ASSETS</b>						
Segment assets	902.0	359.9	120.0	218.4	11.6	1,611.9
Interest in an associate						56.6
Unallocated corporate assets						90.4
Consolidated total assets						<u>1,758.9</u>
<b>LIABILITIES</b>						
Segment liabilities	111.6	87.4	35.2	56.3	1.2	291.7
Amount due to an associate						0.1
Unallocated corporate liabilities						100.2
Consolidated total liabilities						<u>392.0</u>
<b>At March 31, 2002</b>						
<b>ASSETS</b>						
Segment assets	883.8	443.1	122.3	147.0	14.5	1,610.7
Interest in an associate						54.8
Unallocated corporate assets						79.5
Consolidated total assets						<u>1,745.0</u>
<b>LIABILITIES</b>						
Segment liabilities	108.2	81.7	25.5	41.4	1.4	258.2
Amount due to an associate						0.1
Unallocated corporate liabilities						36.8
Consolidated total liabilities						<u>295.1</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

## 36. SEGMENT INFORMATION (continued)

### (B) Geographical segments

The Group's operations are located in Hong Kong and other parts of the PRC, Europe, United States of America and other Far East countries. In Hong Kong and other parts of the PRC, the Group carried out its manufacturing and trading operations. The Group also operates marketing offices in Europe, United States of America and other Far East countries.

- (i) An analysis of the Group's turnover by geographical market of its customers is as follows:

	Turnover	
	2003 HK\$'m	2002 HK\$'m
United States of America	<b>1,193.3</b>	1,010.9
Europe	<b>908.5</b>	879.4
Asia Pacific	<b>308.4</b>	343.2
	<b>2,410.2</b>	2,233.5

- (ii) An analysis of the carrying amount of segment assets analysed by the geographical locations in which the assets are located is as follows:

	Segment assets		Additions to property, plant and equipment and development costs	
	2003 HK\$'m	2002 HK\$'m	2003 HK\$'m	2002 HK\$'m
Hong Kong and other parts of the PRC	<b>1,297.1</b>	1,353.0	<b>80.5</b>	85.8
Europe	<b>337.6</b>	295.5	<b>7.2</b>	2.3
United States of America	<b>91.4</b>	74.4	<b>6.2</b>	1.2
Other Far East countries	<b>26.7</b>	22.1	<b>3.3</b>	0.5
	<b>1,752.8</b>	1,745.0	<b>97.2</b>	89.8
Unallocated assets	<b>6.1</b>	–	–	–
	<b>1,758.9</b>	1,745.0	<b>97.2</b>	89.8