

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of all shareholders and to enhance corporate value. This report describes the Company's corporate governance processes and activities.

1. BOARD OF DIRECTORS

1.1. Board Composition

1.1.1. The Board comprises eleven members, of whom five are executive directors, two are non-executive directors and four are independent non-executive directors. By having a majority of non-executive directors (including independent non-executive directors), the Company has a strong independent element on the Board to exercise independent judgment. The experience, knowledge and expertise of the existing directors are considered appropriate to effectively lead and control the Group, taking into account the scope and nature of its operations. The experience and qualifications of directors and senior management are set out on pages from 15 to 19 in the "Directors and Senior Management" section of this annual report.

1.1.2. Under the current Bye-laws of the Company, one-third of the directors (except the Chairman and the Managing Director) for the time being are subject to retirement by rotation in each year. To comply with the requirement of the recently proposed draft Code on Corporate Governance Practices issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on January 31, 2004 that all directors should be subject to retirement by rotation at least every three years, the Company is proposing to amend its Bye-laws in the forthcoming annual general meeting to be held on August 18, 2004 to require the Chairman and the Managing Director to submit themselves for re-nomination and re-election by rotation at each annual general meeting like the other members of the Board. Directors of the Company appointed by the Board to fill a casual vacancy are subject to re-election by shareholders at the first following annual general meeting after their appointment.

1.2. Responsibilities

1.2.1. The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group. It delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. The principle functions of the Board are to:

- Approve the broad policies, strategies and financial objectives of the Group;
- Approve annual budgets, major funding proposals, investment and divestment proposals;
- Oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Approve the nominations of directors and appointment of key personnel; and
- Assume responsibility for corporate governance.

1.2.2. The functions of non-executive directors include, but not limited to:

- Participating in Board meetings to bring in independent judgment to bear on issues of corporate strategy, corporate performance, resources, key appointments and standard of conducts;
- Taking the lead where potential conflicts of interests arise; and
- Serving on board committees, if invited.

1.2.3. The Chairman provides leadership for the Board and ensure that the Board functions effectively, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chairman ensures that good corporate governance practices and procedures are established and encourage all directors to make full and active participation to the affairs of the Group and ensures that the Board acts in the best interests of the Group.

1.2.4. The Chairman from time to time meets with the non-executive directors (including independent non-executive directors) and executive directors to ensure constructive relations between them. The Chairman frequently communicates with non-executive directors to facilitate effective contributions from them.

CORPORATE GOVERNANCE REPORT

1. BOARD OF DIRECTORS (continued)

1.3. Board's Conduct of its Affairs

- 1.3.1. The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. Apart from the consents obtained through the circulation of written resolutions of all Board members, the Board had met 4 times during the year to consider, among other things, reviewing and approving the quarterly, interim and annual results of the Group.
- 1.3.2. All directors were given the opportunities to include matters to be discussed in the agenda of these meetings. The company secretary is delegated with the responsibility to prepare the agenda for each Board meeting, and where appropriate, take into account any matters proposed by each director for inclusion in the agenda.
- 1.3.3. To address the competing time commitments of directors who sit on multiple boards, Board and Audit Committee ("AC") meeting dates are scheduled well in advance at the beginning of every calendar year.
- 1.3.4. Minutes of AC and Board meetings record in sufficient detail the matters considered by the participants of such meetings and decisions reached, including any concerns raised by directors or dissenting views expressed.
- 1.3.5. Minutes of AC and Board meetings are circulated to relevant directors within a reasonable time after the meetings are held for comments before taken as the true records of the proceedings of the meetings. They are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director.
- 1.3.6. Directors are provided in a timely manner with complete, adequate explanation and information to enable them to make an informed decision or assessment of Group's performance, position and prospects and to discharge their duties and responsibilities. In the case when the directors have queries, they are provided with the names and contact details of the Group's senior management for separate and independent access to them and they are able to require more information than is volunteered by management.
- 1.3.7. Other than in exceptional circumstances, an agenda and accompanying detailed board papers (prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, including but not limited to, background or explanatory information relating to matters to be brought before the Board and internal financial information such as quarterly management accounts, forecasts and budgets with material variance between projections and actual results explained) are circulated to all directors in a timely manner and at least three days before the date of scheduled meeting. All directors are entitled to have access to board papers and related materials.
- 1.3.8. The directors, in furtherance of their duties, are given access to independent professional advisers when necessary at the expense of the Company.
- 1.3.9. The Group has arranged appropriate directors' and officers' liability insurance cover to indemnify directors of the Group against civil liability, and the costs of defending civil and criminal proceedings, in respect of any wrongful acts in their capacity as directors of Group.

1.4. Directors' Training Needs

- 1.4.1. Newly appointed director of the Company has received induction and reference materials to enable him to familiarize with Group's history, mission, business operations and board and company policies.
- 1.4.2. Each director is briefed and updated from time to time to ensure that he has a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"), applicable legal and other regulatory requirements and the governance policies of the Company.
- 1.4.3. The directors must comply with their obligation under the Company's own code of conducts regarding securities transactions of the directors and officers (adopted by the Board with terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules) and disclosure of interests in securities of the Company and disclosure of conflicts of interest in a transaction involving the Company.
- 1.4.4. Directors are also welcome to request further explanations, briefings, or informal discussions on any aspect of the Company's operations or business issues from the management.

2. AUDIT COMMITTEE

- 2.1. The AC consists of three members, two independent non-executive directors, Mr. Lo Kai Yiu, Anthony (Chairman), Mr. Kao Ying Lun and a non-executive director, Mr. Jack William Edouard Heuer, who was nominated as additional AC member on January 17, 2004. The Board is of the opinion that the members of the AC have sufficient accounting and financial management expertise or experience to discharge their duties.
- 2.2. The operations of the AC are regulated by its charter which set out clearly its terms of reference. The charter was approved by the Board and is subject to review by the Board from time to time. The major duties of AC include:
- to consider and recommend the appointment, re-appointment and removal of the external auditor, the audit fee, and any questions of resignation or dismissal;
 - to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
 - to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
 - to review the quarterly, interim and annual financial statements and the annual and the interim reports before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements;
 - to discuss problems and reservations arising from the yearly audit, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
 - to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
 - to review the Group's financial controls, internal control and ensure that management has discharged its duty to have an effective internal control system;
 - to consider any findings of major investigations of internal control matters on its initiative and management's response;
 - to review the internal audit program, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor the effectiveness of the internal audit function;
 - to review the Group's operating, financial and accounting policies and practices;
 - to report to the Board on the matters set out above; and
 - to consider other topics, as defined by the Board.
- 2.3. The AC has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to and assistance from the management and reasonable resources to discharge its duties properly. At least once annually, the AC meets the external and internal auditors without the presence of the management.
- 2.4. The AC had met four times to review the quarterly, interim and annual results of the Group during the year ended March 31, 2004. Minutes of the AC are kept by the company secretary of the Company and are circulated to all members of the AC within reasonable time after the meeting.

3. INTERNAL CONTROLS AND INTERNAL AUDIT

- 3.1. The Board is committed to managing business risks and maintaining a proper and effective systems of internal control.
- 3.2. The effectiveness of internal control of the Group is reviewed regularly by the Board, AC, senior management and Group Internal Audit.
- 3.3. Group Internal Audit's annual plan is reviewed and approved by the Board and AC. Its audit scope is determined based on the Group risk profile and analysis regularly updated in response to its business changes, external environment and best practices.
- 3.4. Group Internal Audit performs its work using a pro-active risk-based approach to focus on areas of major risks as identified by a comprehensive risk assessment survey. The objective is to make sure that risk situations are reported and addressed proactively to minimise the potential loss to the business.
- 3.5. The audit process consists of a number of key elements including risk classification for each unit, risk identification within key processes, review effectiveness of control design and identification of risk exposure from segregation of duties and internal approvals. It should be noted that such a process can only provide reasonable, but not absolute, assurance of material mis-statement or loss. Such process is subject to regular review by the Board and AC to incorporate the best practices.
- 3.6. The Group Internal Audit reports the status of internal controls to senior management regularly and to AC on a periodic basis. All audits with adverse findings are addressed with immediate improvement actions taken and follow up audit to ensure implementation.

4. CORPORATE TRANSPARENCY AND INVESTOR COMMUNICATIONS

- 4.1. The Board is mindful of its obligations to increase the transparency of Group and to provide shareholders with timely, detailed and balanced information on the Company's performance and major developments of the Group. The Board recognized that effective communication to investors is key to establish investor confidence, sustaining long-term relationships with our shareholders and attracting new investors.
- 4.2. Measures taken by the Group include:

Quarterly reporting

The Group has voluntarily adopted quarterly reporting commencing from the financial year April 1, 2003 onwards. This is part of our effort to go beyond the Stock Exchange requirements and make the Group's financial position as transparent as possible to shareholders, potential investors and the general public. Annual and interim reports are prepared and issued to all shareholders within the prescribed period stipulated by the Stock Exchange.

Media and analysts briefings

Briefings for media are held after the release of summary of results on the same day immediately after the quarterly, interim and full year results are released via teletext. Briefings for analysts by way of presentation at luncheon, cocktail reception or telephone conference are organised thereafter. During the briefings, the Group's management provides a better appreciation of the Group's performances in respect of the relevant periods and ensures that the financial performance and accounts of the Group are well understood. There is also ample opportunity for the analysts and media to ask questions and interact with the Executive Directors and senior management.

Webcasts

All the results briefings are webcast and are subsequently archived on the financial portal at www.idthk.com and www.irasia.com/listco/hk/idt/, the IR platform which provides corporate information such as results announcements, financial statements, webcasts, presentation slides, annual and interim reports and news releases on latest development of the Group, for shareholders, investors, analysts and media to view at their convenience.

Factory Visit

The Group also arranges factory plant visits for investment professionals to update them on the status of our continuous improvements in production capabilities.

- 4.3. The Group regularly releases corporate information such as awards received, product launches and the latest news of the Group's developments on its corporate website at www.idthk.com and www.irasia.com/listco/hk/idt/. The public are welcome to give their comments and make their enquiries through the Group's website and the management will provide their prompt response.
- 4.4. Shareholders are given the opportunity to air their views and ask questions regarding the Group at annual general meetings, where directors are pleased to give their response.

5. 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 revised Listing Rules throughout the year ended March 31, 2004, save and except that all non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

6. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a Code for Securities Transactions by Officers of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the revised Listing Rules.