

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company while its subsidiaries are engaged in the design, development, manufacture, sales and marketing of various consumer electronic products.

## 2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time Hong Kong Financial Reporting Standard ("HKFRS") – Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The adoption of this revised SSAP 12 has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements. In the absence of any specific transitional requirements in SSAP 12, the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

As a result of this change in policy, the opening balance on the Group's revenue reserve and properties revaluation reserve at April 1, 2003 has been increased by HK\$12.5 million and decreased by HK\$5.9 million (April 1, 2002: HK\$9.2 million and HK\$5.4 million) respectively. In addition, the change has given rise to an increase in the profit for the year ended March 31, 2004 of HK\$15.1 million (2003: HK\$3.3 million).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties, and 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 inter-company transactions and balances within the Group are eliminated on consolidation.

### 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 after 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 after 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss.

### Interest in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

### Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

### Revenue recognition

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

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

### Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. Any outstanding principal portion of the leasing commitments is shown as an obligation of the Group. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the respective leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the period of the respective leases.

### 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 valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment properties 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 properties 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 properties revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties which are held on leases with unexpired terms of more than twenty years.

### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and any identified impairment loss at the balance sheet date.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to September 30, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to revenue reserve.

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

The cost of freehold land is not amortised while the cost or valuation of leasehold land is amortised over the remaining period of the lease using the straight line method.

The cost or valuation of buildings is depreciated over 25 years using the straight line method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

Depreciation is provided to write off the cost 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%
Motor vehicles	20%
Plant and machinery	15% – 50%

Assets held under finance leases are depreciated on the same basis as assets owned by the Group or over the period of the leases, if shorter.

### Product development costs

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

An internally-generated asset arising from product 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 on a straight line basis over its estimated useful life not exceeding two years.

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

### Patents and trademarks

Patents and trademarks are stated at cost less amortisation and any identified impairment loss. Amortisation is calculated on a straight line basis over its estimated useful economic life not exceeding 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 transferred from property, plant and equipment. Net realisable value represents the estimated selling price in the ordinary course of business less the 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 under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

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 under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation 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 are added to, or deducted from, the amount of the relevant transaction at the end of the period. 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 overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the weighted average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### (A) Business segments

For management purposes, the Group is currently organised into five operating divisions – liquid crystal display (“LCD”) consumer electronic products, telecommunication products, electronic personal information products, electronic learning products and other consumer electronic products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

LCD consumer electronic products	– design, development, manufacture, and sales and marketing of LCD consumer electronic products
Telecommunication products	– design, development, manufacture, and sales and marketing of telecommunication products
Electronic personal information products	– design, development, manufacture, and sales and marketing of electronic personal information products
Electronic learning products	– design, development, manufacture, and sales and marketing of electronic learning products
Other consumer electronic products	– design, development, manufacture, and sales and marketing of other consumer electronic products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (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, 2004</b>						
<b>Turnover</b>						
Branded sales	708.4	66.9	212.3	407.2	12.1	1,406.9
OEM/ODM sales	341.1	657.3	172.3	178.3	1.4	1,350.4
Total	1,049.5	724.2	384.6	585.5	13.5	2,757.3
<b>Results</b>						
Segment results	166.6	67.2	16.1	58.3	4.8	313.0
Interest income						20.7
Unallocated corporate income						5.3
Profit from operations						339.0
Finance costs						(5.2)
Share of profit of an associate						1.6
Profit before taxation						335.4
Taxation						(26.7)
Profit before minority interests						308.7
Minority interests						(57.9)
Net profit attributable to shareholders						250.8
<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>Results</b>						
Segment results	153.3	7.8	(14.1)	44.9	0.1	192.0
Interest income						20.3
Unallocated corporate expenses						(0.2)
Profit from operations						212.1
Finance costs						(3.4)
Share of profit of an associate						3.3
Profit before taxation						212.0
Taxation						(16.5)
Profit before minority interests						195.5
Minority interests						(42.2)
Net profit attributable to shareholders						153.3

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### (A) Business segments (continued)

(ii) 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, 2004</b>						
<b>Assets</b>						
Segment assets	1,020.2	454.5	228.8	297.7	12.8	2,014.0
Unallocated corporate assets						173.0
Consolidated total assets						2,187.0
<b>Liabilities</b>						
Segment liabilities	161.4	143.6	38.8	65.1	2.5	411.4
Unallocated corporate liabilities						258.4
Consolidated total liabilities						669.8
<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						109.4
Consolidated total assets						1,777.9
<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						112.6
Consolidated total liabilities						404.4

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(A) **Business segments** (continued)  
(iii) 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, 2004</b>						
<b>Capital additions</b>						
– property, plant and equipment	18.0	11.5	6.9	8.6	1.7	46.7
– product development costs	14.0	11.2	10.8	15.6	–	51.6
<b>Depreciation and amortisation</b>						
– property, plant and equipment						
– business segments	27.4	16.1	6.0	7.9	0.3	57.7
– unallocated corporate items						6.1
– intangible assets	9.5	8.8	5.3	13.1	–	36.7
– goodwill	0.1	0.9	–	–	–	1.0
<b>Loss on disposal of property, plant and equipment</b>						
– business segments	1.1	0.3	0.3	1.0	–	2.7
– unallocated corporate items						0.9
<b>Write-off of product development costs</b>	–	–	3.6	–	–	3.6
<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
– product 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 product development costs</b>	–	2.1	2.2	2.6	–	6.9

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### (B) Geographical segments

The Group's operations are located in Hong Kong and other parts of Mainland China (the "PRC"), Europe, Americas (representing United States of America and Latin 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, Latin America and other Far East countries.

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

	Turnover	
	2004 HK\$'M	2003 HK\$'M
Americas	1,102.9	1,193.3
Europe	1,198.6	908.5
Asia Pacific	455.8	308.4
	2,757.3	2,410.2

- (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 product development costs	
	2004 HK\$'M	2003 HK\$'M	2004 HK\$'M	2003 HK\$'M
Hong Kong and other parts of the PRC	1,568.3	1,297.1	85.5	80.5
Europe	408.0	337.6	9.8	7.2
Americas	133.7	91.4	2.3	6.2
Other Far East countries	28.5	26.7	0.7	3.3
	2,138.5	1,752.8	98.3	97.2
Unallocated assets	48.5	25.1	–	–
	2,187.0	1,777.9	98.3	97.2



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 5. PROFIT FROM OPERATIONS

	<b>2004</b> <b>HK\$'M</b>	2003 HK\$'M
Profit from operations has been arrived at after charging:		
Directors' remuneration (Note 6)	31.1	22.4
Other staff's retirement benefits scheme contributions, net of forfeited contributions of HK\$0.2 million (2003: HK\$0.4 million)	6.7	8.4
Other staff costs	386.0	370.7
	423.8	401.5
Less: Staff costs capitalised in product development costs	(27.1)	(17.6)
	396.7	383.9
Amortisation of product development costs included under research and development costs	36.7	33.3
Amortisation of goodwill included under administrative expenses	1.0	0.1
Auditors' remuneration	3.3	3.3
Deficit arising on revaluation of investment properties	–	0.2
Depreciation and amortisation of property, plant and equipment		
– owned by the Group	63.6	68.5
– held under finance leases	0.2	0.1
Loss on disposal of property, plant and equipment	3.6	16.1
Operating lease rentals in respect of		
– land and buildings	32.4	32.9
– office equipment and motor vehicles	0.7	0.3
Write-off of product development costs included under research and development costs	3.6	6.9
and after crediting:		
Gain on deemed partial disposal of a subsidiary	1.1	–
Gain on disposal of an associate	1.6	–
Interest income	20.7	20.3
Mould construction income	11.2	15.1
Property rental income before deduction of negligible outgoings	0.8	1.0

Included in the above directors' remuneration were operating lease rentals of HK\$1.0 million (2003: HK\$1.0 million) paid in respect of accommodation provided to a director.

# NOTES TO THE FINANCIAL STATEMENTS

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## 6. DIRECTORS' REMUNERATION

	2004 HK\$'M	2003 HK\$'M
Directors' fees		
– executive	0.5	0.6
– non-executive	0.6	0.2
– independent non-executive	1.4	0.6
	2.5	1.4
Other emoluments of executive directors		
– basic salaries and allowances	14.5	11.5
– bonus	12.3	8.4
– retirement benefits scheme contributions	1.0	0.3
	27.8	20.2
Other emoluments of non-executive directors		
– basic salaries and allowances	0.4	–
Other emoluments of independent non-executive directors		
– basic salaries and allowances	0.4	0.8
	31.1	22.4

The emoluments of the directors were within the following bands:

	Number of director(s)	
	2004	2003
Up to HK\$1,000,000	6	6
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	1	–
HK\$7,000,001 to HK\$7,500,000	1	–
HK\$8,500,001 to HK\$9,000,000	–	1
HK\$9,000,001 to HK\$9,500,000	1	–

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

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## 7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included four (2003: four) executive directors of the Company, whose emoluments are included in note 6 above. The emoluments of the remaining highest paid individual are as follows:

	2004 HK\$'M	2003 HK\$'M
Basic salaries and allowances	2.9	1.7
Bonus	0.2	0.8
	3.1	2.5

The emoluments were within the following band:

	Number of employee(s)	
	2004	2003
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–

## 8. TAXATION

	2004 HK\$'M	2003 HK\$'M (As re-stated)
The charge comprises:		
Taxation of the Company and its subsidiaries:		
Hong Kong Profits Tax		
– current year	(37.7)	(18.0)
– (under)overprovision in prior years	(1.1)	1.2
Tax in other jurisdictions		
– current year	(8.8)	(5.5)
– underprovision in prior years	(0.2)	–
	(47.8)	(22.3)
Deferred taxation	21.2	5.9
	(26.6)	(16.4)
Share of Hong Kong Profits Tax of an associate	(0.1)	(0.1)
	(26.7)	(16.5)

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the laws and regulations in the PRC, certain Group's PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 8. TAXATION (continued)

The charge for the year is reconciled to the profit before taxation per the income statement as follows:

	2004		2003	
	HK\$'M	%	HK\$'M	%
Profit before taxation	335.4		212.0	
Tax at the domestic income tax rate	(58.7)	(17.5)	(33.9)	(16.0)
Tax effect of expenses not deductible for tax purposes	(8.8)	(2.6)	(6.0)	(2.8)
Tax effect of income not taxable for tax purposes	8.9	2.7	5.6	2.6
Tax effect of tax losses not recognised	(6.0)	(1.8)	(5.6)	(2.6)
Utilisation of tax losses previously not recognised	3.4	1.0	4.0	1.9
Tax effect of tax loss previously not recognised	7.8	2.3	5.8	2.7
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	-	-	(1.3)	(0.6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	21.5	6.4	10.4	4.9
Income tax on concessionary rates	2.6	0.8	1.6	0.8
(Under)overprovision in prior years	(1.3)	(0.4)	1.2	0.5
Others	3.9	1.1	1.7	0.8
Tax effect and effective tax rate for the year	(26.7)	(8.0)	(16.5)	(7.8)

## 9. DIVIDENDS

	2004 HK\$'M	2003 HK\$'M
Interim dividend of 2.0 HK cents (2003: 2.0 HK cents) per share	41.6	41.4
Proposed final dividend of 6.0 HK cents (2003: 5.0 HK cents) per share	124.9	103.6
Additional final dividend and special dividend for the prior period due to exercise of share options	0.1	0.1
	166.6	145.1

The amount of final dividend proposed for the year ended March 31, 2004 has been calculated with reference to 2,082,449,907 ordinary shares in issue as at the balance sheet date and are subject to approval by the shareholders in the forthcoming annual general meeting. Accordingly, they are not recognised as liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 10. EARNINGS PER SHARE

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

	<b>2004</b> HK\$'M	2003 HK\$'M (As re-stated)
Earnings:		
Net profit attributable to shareholders and earnings for the purposes of basic earnings per share	250.8	153.3
Effect of dilutive potential ordinary shares		
– adjustment to the share of profits of a subsidiary based on dilution of its earnings per share	(0.2)	(0.2)
Earnings for the purposes of diluted earnings per share	250.6	153.1

Number of ordinary shares:

	<b>2004</b>	2003
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,077,505,100	2,071,671,243
Effect of dilutive potential ordinary shares		
– share options	5,255,353	4,785,890
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,082,760,453	2,076,457,133

The adjustment to comparative basic and diluted earnings per share arising from the adoption of SSAP 12 (Revised) is as follows:

	<b>Basic</b> HK cents	<b>Diluted</b> HK cents
Reconciliation of 2003 earnings per share:		
Reported figures before adjustments	7.2	7.2
Adjustments arising from the adoption of SSAP 12 (Revised)	0.2	0.2
Re-stated	7.4	7.4

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 11. INVESTMENT PROPERTIES

	HK\$'M
<b>The Group</b>	
<b>Valuation</b>	
<b>At April 1, 2002</b>	6.6
Deficit arising on revaluation	(0.2)
<b>At March 31, 2003 and March 31, 2004</b>	6.4

The investment properties which are rented out under operating leases were revalued at March 31, 2004 by Vigers Hong Kong Ltd., an independent firm of professional valuers, on an open market value basis.

The investment properties are situated in Hong Kong and are held under medium-term leases.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'M	Furniture, fixtures and equipment HK\$'M	Motor vehicles HK\$'M	Plant and machinery HK\$'M	Total HK\$'M
<b>The Group</b>					
<b>Cost or valuation</b>					
<b>At April 1, 2003</b>	70.2	235.4	16.8	260.2	582.6
Currency realignment	2.2	4.0	0.6	–	6.8
Additions	–	24.0	0.9	21.8	46.7
Disposals	–	(7.2)	(2.9)	(4.7)	(14.8)
<b>At March 31, 2004</b>	72.4	256.2	15.4	277.3	621.3
Comprising:					
At cost	15.0	256.2	15.4	277.3	563.9
At valuation					
– 1993	49.3	–	–	–	49.3
– 1994	8.1	–	–	–	8.1
	72.4	256.2	15.4	277.3	621.3
<b>Depreciation and amortisation</b>					
<b>At April 1, 2003</b>	17.9	113.7	9.0	133.3	273.9
Currency realignment	0.5	2.4	0.4	–	3.3
Provided for the year	2.4	30.3	2.4	28.7	63.8
Eliminated on disposals	–	(4.2)	(2.2)	(3.1)	(9.5)
<b>At March 31, 2004</b>	20.8	142.2	9.6	158.9	331.5
<b>Net book values</b>					
<b>At March 31, 2004</b>	51.6	114.0	5.8	118.4	289.8
<b>At March 31, 2003</b>	52.3	121.7	7.8	126.9	308.7

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

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

The net book value of the Group's property interests comprise:

	The Group	
	2004 HK\$'M	2003 HK\$'M
Properties held under medium-term leases in Hong Kong	36.6	38.3
Freehold properties situated outside Hong Kong	15.0	14.0
	51.6	52.3

If the Group's land and buildings had not been revalued, they would have been included in these financial statements at historic cost less accumulated depreciation and amortisation of HK\$27.9 million (2003: HK\$27.6 million).

At the balance sheet date, the net book value of property, plant and equipment held under finance leases was HK\$0.5 million (2003: HK\$0.2 million).

## 13. INTANGIBLE ASSETS

	Product development costs HK\$'M	Patents and trademarks HK\$'M	Total HK\$'M
<b>The Group</b>			
<b>Cost</b>			
<b>At April 1, 2002</b>	120.4	1.7	122.1
Additions	52.9	–	52.9
Write-off	(16.2)	–	(16.2)
<b>At March 31, 2003</b>	157.1	1.7	158.8
Additions	51.6	–	51.6
Write-off	(3.6)	–	(3.6)
<b>At March 31, 2004</b>	205.1	1.7	206.8
<b>Amortisation</b>			
<b>At April 1, 2002</b>	70.4	1.7	72.1
Amortised for the year	33.3	–	33.3
Eliminated on write-off	(9.3)	–	(9.3)
<b>At March 31, 2003</b>	94.4	1.7	96.1
Amortised for the year	36.7	–	36.7
<b>At March 31, 2004</b>	131.1	1.7	132.8
<b>Carrying values</b>			
<b>At March 31, 2004</b>	74.0	–	74.0
<b>At March 31, 2003</b>	62.7	–	62.7

The product development costs are amortised on a straight line basis over its estimated useful economic life of two years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 14. GOODWILL

	HK\$'M
<b>The Group</b>	
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
<b>At March 31, 2003 and March 31, 2004</b>	<b>19.1</b>
AMORTISATION	
Amortised for the year and balance at March 31, 2003	0.1
Amortised for the year	1.0
<b>At March 31, 2004</b>	<b>1.1</b>
CARRYING VALUE	
<b>At March 31, 2004</b>	<b>18.0</b>
<b>At March 31, 2003</b>	<b>19.0</b>

The goodwill is amortised on a straight line basis over its estimated useful economic life of twenty years.

## 15. INTERESTS IN SUBSIDIARIES

	The Company	
	2004 HK\$'M	2003 HK\$'M
Unlisted shares, at cost	204.8	204.8
Amounts due from subsidiaries	384.7	313.0
	589.5	517.8

Details of the Company's principal subsidiaries at March 31, 2004 are set out in note 33.

## 16. INTEREST IN AN ASSOCIATE

	The Group	
	2004 HK\$'M	2003 HK\$'M
Share of associate's net assets	–	56.6
Market value at March 31	–	37.4



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 17. LONG-TERM BANK DEPOSITS

	The Group	
	2004 HK\$'M	2003 HK\$'M
Deposits placed with		
– AAA-rated* institution	156.0	81.9
– AA1-rated* institution	140.4	156.0
	296.4	237.9

\* According to Moody's Investors Service.

The balance represents US dollar denominated high-yield deposits placed with financial institutions with a tenor of ten years or less. These deposits carry a level of risk where interest to be earned from the deposits could be nil if certain conditions based on formulae linked to London Inter-Bank Offered Rate or New York City Inter-Bank Offered Rates are met.

## 18. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK'M	Product development costs HK'M	Revaluation of properties HK'M	Tax losses HK'M	Unrealised profits on inventories HK'M	Others HK\$'M	Total HK\$'M
<b>The Group</b>							
<b>At April 1, 2002</b>							
– as previously reported	(9.0)	(7.9)	–	5.9	–	–	(11.0)
– prior year adjustment (note 2)	(1.6)	–	(5.4)	–	9.9	0.9	3.8
– as re-stated	(10.6)	(7.9)	(5.4)	5.9	9.9	0.9	(7.2)
(Charge) credit to income for the year	3.4	(2.3)	–	3.6	–	2.5	7.2
Effect of change in tax rate							
– (charge) credit to income for the year	(1.0)	(0.8)	–	0.5	–	–	(1.3)
– charge to equity	–	–	(0.5)	–	–	–	(0.5)
<b>At March 31, 2003</b>	(8.2)	(11.0)	(5.9)	10.0	9.9	3.4	(1.8)
Currency realignment	–	–	–	1.4	–	0.4	1.8
(Charge) credit to income for the year	(1.7)	(1.8)	–	7.4	15.1	2.2	21.2
<b>At March 31, 2004</b>	(9.9)	(12.8)	(5.9)	18.8	25.0	6.0	21.2

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 18. DEFERRED TAXATION (continued)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group	
	2004 HK\$'M	2003 HK\$'M
Deferred tax assets	48.1	19.0
Deferred tax liabilities	(26.9)	(20.8)
	21.2	(1.8)

At the balance sheet date, the Group has unutilised tax losses of HK\$204.7 million (2003: HK\$197.5 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$55.7 million (2003: HK\$43.6 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$149.0 million (2003: HK\$153.9 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK\$32.9 million (2003: HK\$55.8 million) that will expire in the years of 2007 to 2016. Other losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

## 19. INVENTORIES

	The Group	
	2004 HK\$'M	2003 HK\$'M
Raw materials	169.9	91.8
Work in progress	38.6	23.7
Finished goods	310.0	223.4
	518.5	338.9

## 20. PROPERTY HELD FOR RESALE

The property held for resale which is situated in the PRC is held under a long-term property ownership certificate.

## 21. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers a credit period normally ranging from letter of credit at sight to 60 days open account to customers with long business relationship and strong financial position.

	The Group	
	2004 HK\$'M	2003 HK\$'M
The following is an aged analysis of trade receivables at the balance sheet date:		
Not yet due	264.1	215.7
Overdue less than 30 days	38.7	42.0
Overdue 31 to 90 days	17.5	30.3
Overdue more than 90 days	11.1	5.3
	331.4	293.3
Other receivables	69.0	74.3
	400.4	367.6

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 22. TRADE AND OTHER PAYABLES

	The Group	
	2004 HK\$'M	2003 HK\$'M
The following is an aged analysis of trade payables at the balance sheet date:		
Not yet due	159.7	127.2
Overdue less than 30 days	63.3	29.5
Overdue 31 to 90 days	10.6	2.9
Overdue more than 90 days	7.2	2.9
	240.8	162.5
Other payables	188.5	144.1
	429.3	306.6

## 23. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'M	2003 HK\$'M	2004 HK\$'M	2003 HK\$'M
Amount payable under finance leases:				
Within one year	0.2	0.1	0.2	0.1
Between one and two years	0.2	0.1	0.2	0.1
	0.4	0.2	0.4	0.2
Less: Future finance charges	–	–	–	–
Present value of obligations under finance leases	0.4	0.2	0.4	0.2
Less: Amount due within one year shown under current liabilities			0.2	0.1
Amount due after one year			0.2	0.1

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 24. SHARE CAPITAL

	Number of shares	Amount HK\$'M
<b>Authorised:</b>		
<b>At April 1, 2002, March 31, 2003 and March 31, 2004</b>		
– ordinary shares of HK\$0.10 each	3,500,000,000	350.0
– ordinary shares of US\$0.10 each	10,000	–
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.10 each		
– at April 1, 2002	2,070,288,407	207.0
– exercise of share options	1,760,000	0.2
– at March 31, 2003	2,072,048,407	207.2
– exercise of share options	10,401,500	1.0
– at March 31, 2004	2,082,449,907	208.2

During the year, 1,401,500 and 9,000,000 share options were exercised at a subscription price of HK\$0.509 per share and HK\$0.453 per share respectively, resulting in aggregate the issue of 10,401,500 ordinary shares of HK\$0.10 each in the Company.

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

## 25. 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 subsidiary, IDT Holdings (Singapore) Limited (“IDTS”), has operated a share option scheme (referred to as the “IDTS Option Scheme”) in the year.

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 offered 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 were issued under the 1993 IDT International Option Scheme (together with any shares of the Company in respect of which options were outstanding) did 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 were granted to an eligible participant did 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 did not exceed an amount equal to 6 times the gross basic annual salary of such participant.

The exercise price for an option granted under the 1993 IDT International Option Scheme was at 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 was the higher.

An offer for grant of option under this scheme was accepted not later than 28 days after the date of offer, and HK\$1 was paid as consideration on acceptance. Options granted under this scheme may be exercised during the period commencing on a date not earlier than 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, 2004

## 25. 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, 2003 and the balances at March 31, 2003 are set out below:

Participants	Date of grant	Exercisable period	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

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

The movements of share options under the 1993 IDT International Option Scheme during the year ended March 31, 2004 and the balances at March 31, 2004 are set out below:

Participants	Date of grant	Exercisable period	Exercise price per share	Outstanding at 4.1.2003	Reclassification	Exercised during the year	Lapsed/cancelled during the year	Outstanding at 3.31.2004
Directors	12.29.1998	12.30.1999 to 12.29.2008	HK\$0.509	218,750	437,500	(656,250)	-	-
	12.29.1998	12.30.2000 to 12.29.2008	HK\$0.509	218,750	437,500	(656,250)	-	-
	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	964,000	(437,500)	(1,500)	-	525,000
	12.29.1998	12.30.2000 to 12.29.2008	HK\$0.509	1,077,000	(437,500)	(87,500)	-	552,000
	1.12.2001	1.13.2005 to 1.12.2011	HK\$0.525	150,000	-	-	(150,000)	-
				12,628,500	-	(10,401,500)	(150,000)	2,077,000

The number of options vested as at April 1, 2002, March 31, 2003 and March 31, 2004 was 13,353,500, 11,478,500 and 1,077,000 respectively.

Nominal consideration for options granted during the year ended March 31, 2004 was received.

The market prices of shares of the Company at the dates of exercise of share options during the year ended March 31, 2004 fall within the range between HK\$0.94 to HK\$1.10 (2003: between HK\$0.70 to HK\$0.80) per share.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 25. SHARE OPTION SCHEMES (continued)

### (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 limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 IDT International Option Scheme, together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of the Company, must not exceed 30% of the number of the Company's issued shares from time to time. Subject always to the aforesaid overall 30% limit, the total number of shares which may be issued upon exercise of all options to be granted, together with all options to be granted under other share option scheme(s) of the Company, must not exceed 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. Such 10% limit may be refreshed or exceeded if approved by shareholders in general meeting subject always to the aforesaid overall 30% limit.

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 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.

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	Exercisable period	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	-	-	3,500,000

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 25. 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, 2004 and the balances at March 31, 2004 are set out below:

Participants	Date of grant	Exercisable period	Exercise price per share	Outstanding at 4.1.2003	Reclassification	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	Outstanding at 3.31.2004
Directors	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
	3.17.2003	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)	-	-	-	-
	4.1.2003	4.2.2004 to 4.1.2013	HK\$0.810	-	-	500,000	-	-	500,000
	4.1.2003	4.2.2005 to 4.1.2013	HK\$0.810	-	-	500,000	-	-	500,000
	5.21.2003	5.21.2005 to 5.20.2013	HK\$0.830	-	-	250,000	-	-	250,000
	5.21.2003	5.21.2006 to 5.20.2013	HK\$0.830	-	-	250,000	-	-	250,000
	8.12.2003	8.13.2004 to 8.12.2013	HK\$0.976	-	-	1,000,000	-	-	1,000,000
					3,500,000	-	2,500,000	-	-

The scheme was adopted on August 28, 2002 and the number of options vested as at March 31, 2003 and March 31, 2004 was nil and 250,000 respectively.

Nominal consideration for options granted during the year ended March 31, 2004 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 shall offer to grant options to selected eligible participants who may include 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.

The subscription price 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 Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive trading days immediately preceding the date of grant; and (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"), no option was 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 25. 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	Exercisable period	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	S\$2.149	100,000	-	-	(100,000)	-
	8.14.2000	8.15.2002 to 8.13.2005	S\$2.149	910,000	-	-	(137,500)	772,500
	8.14.2000	8.15.2003 to 8.13.2005	S\$2.149	200,000	-	-	-	200,000
	8.14.2000	8.15.2004 to 8.13.2005	S\$2.149	810,000	-	-	(137,500)	672,500
	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)	-
				5,044,750	-	(65,000)	(1,093,750)	3,886,000

The movements of the share options under the IDTS Option Scheme during the year ended March 31, 2004 and the balances at March 31, 2004 are set out below:

Participants	Date of grant	Exercisable period	Exercise price per share	Outstanding at 4.1.2003	Reclassification	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	Outstanding at 3.31.2004
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)	-	-
	12.29.1998	12.30.2000 to 12.28.2003	US\$0.616	-	65,000	-	-	(65,000)	-
	8.14.2000	8.15.2002 to 8.13.2005	S\$2.149	-	100,000	-	-	-	100,000
	8.14.2000	8.15.2004 to 8.13.2005	S\$2.149	-	100,000	-	-	-	100,000
Other employees	12.29.1998	12.30.1999 to 12.28.2003	US\$0.616	233,750	-	-	(175,500)	(58,250)	-
	12.29.1998	12.30.2000 to 12.28.2003	US\$0.616	1,447,250	(65,000)	-	(1,252,250)	(130,000)	-
	8.14.2000	8.15.2002 to 8.13.2005	S\$2.149	772,500	(100,000)	-	-	-	672,500
	8.14.2000	8.15.2003 to 8.13.2005	S\$2.149	200,000	-	-	-	-	200,000
	8.14.2000	8.15.2004 to 8.13.2005	S\$2.149	672,500	(100,000)	-	-	-	572,500
	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	-	-	-	(125,000)	30,000
			3,886,000	-	-	(1,832,750)	(378,250)	1,675,000	

The number of options vested as at April 1, 2002, March 31, 2003 and March 31, 2004 was 2,564,750, 2,858,500 and 972,500 respectively.

The market price of shares of IDTS at the date of exercise of share options during the year ended March 31, 2004 was at a range of HK\$6.643 to HK\$9.149 (2003: HK\$5.66) per share.

The financial impact of share options granted is not recorded in the Company's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 26. RESERVES

	Share premium HK\$'M	Contributed surplus HK\$'M	Retained profits HK\$'M	Total HK\$'M
<b>The Company</b>				
<b>At April 1, 2002</b>	62.9	126.2	128.5	317.6
Premium arising on issue of shares	0.7	–	–	0.7
Net profit attributable to shareholders	–	–	278.0	278.0
Dividends	–	–	(165.7)	(165.7)
<b>At March 31, 2003</b>	63.6	126.2	240.8	430.6
Premium arising on issue of shares	3.8	–	–	3.8
Net profit attributable to shareholders	–	–	61.6	61.6
Dividends	–	–	(145.3)	(145.3)
<b>At March 31, 2004</b>	67.4	126.2	157.1	350.7

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 1990 and the nominal amount of the Company's shares issued for the acquisition, less the amount capitalised as a result of the bonus issue of shares in 2000.

In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of the company's 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 as at March 31, 2004 were HK\$283.3 million (2003: HK\$367.0 million), which comprises the aggregate of contributed surplus and retained profits of the Company.

## 27. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into a finance lease in respect of property, plant and equipment with a total capital value at the inception of the lease of HK\$0.4 million (2003: Nil).

## 28. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group	
	2004 HK\$'M	2003 HK\$'M
Land and buildings		
Within one year	30.3	27.8
In the second to fifth year inclusive	64.8	58.9
After five years	15.5	27.8
	110.6	114.5
Office equipment and motor vehicles		
Within one year	0.9	0.4
In the second to fifth year inclusive	1.0	0.6
	1.9	1.0

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 28. OPERATING LEASE ARRANGEMENTS (continued)

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties let:

	The Group	
	2004 HK\$'M	2003 HK\$'M
Within one year	0.7	1.0
In the second to fifth year inclusive	0.1	0.8
	0.8	1.8

The Company had no operating lease commitments at the balance sheet date.

## 29. CAPITAL COMMITMENTS

	The Group	
	2004 HK\$'M	2003 HK\$'M
Capital expenditure in respect of acquisition of property, plant and equipment		
– authorised but not contracted for	91.8	16.6
– contracted for but not provided in the financial statements	7.5	2.3
	99.3	18.9

The Company had no capital commitments at the balance sheet date.

## 30. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given guarantees to the extent of 172.1 million (2003: HK\$55.3 million) to banks to secure the credit facilities granted to its subsidiaries.

## 31. FORWARD CONTRACT COMMITMENTS

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

	The Group	
	2004	2003
Principal amounts of forward contracts held for hedging purposes against trading transactions and monetary assets and liabilities:		
Sales of Euro	EUR2,500,000	–
Sales of Great Britain Pounds	GBP1,000,000	GBP731,232
Sales of United States Dollars	–	US\$5,550,000
Purchases of Hong Kong Dollars	–	HK\$43,310,000
Purchases of United States Dollars	US\$4,987,510	US\$1,182,329

The Company had no forward contract commitments at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 32. 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.

The Group operates a Mandatory Provident Fund Scheme (the "MPF" Scheme) for all qualifying employees in Hong Kong. All qualifying employees are required to participate in the MPF Scheme. Mandatory benefits are being provided under the MPF Scheme.

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

## 33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at March 31, 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
<b>LCD consumer electronic products business</b>				
IDT Holdings (Singapore) Limited	Singapore	S\$35,305,625	63%	Investment holding
Exact-Time Company Limited	Hong Kong	HK\$2	63%	Manufacture of consumer electronic products and plastic parts and provision of surface mount technology assembly services
展科電子(深圳)有限公司**	PRC	US\$420,000	63%	Manufacture and sales of consumer electronic products
Huger Electronics GmbH	Germany	DM3,500,000*	63%	Marketing and distribution of consumer electronic products
IDT Technology Limited	Hong Kong	HK\$2	63%	Trading of consumer electronic products
Rich Win Electronics Limited	Hong Kong	HK\$2	63%	Trading of consumer electronic products
<b>Electronic personal information products business</b>				
King Win Electronics Limited	Hong Kong	HK\$20	100%	Manufacture of consumer electronic products
IDT Data System Limited	Hong Kong	HK\$2	100%	Trading of consumer electronic products
<b>Electronic learning products business</b>				
Ming Win Electronics Limited	Hong Kong	HK\$2	100%	Manufacture of consumer electronic products
IDT Electronic Products Limited	Hong Kong	HK\$2	100%	Trading of consumer electronic products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 33. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
<b>Telecommunication products business</b>				
I-Comm Holdings Limited (formerly known as Top Treasure Group Limited)	British Virgin Islands	US\$1	100%	Investment holding
Integrated Display Technology Telecommunications (Shenzhen) Co., Ltd.**	PRC	RMB11,000,000	100%	Manufacture and sales of telecommunication products
Super Win Electronics Limited	Hong Kong	HK\$2	100%	Manufacture of telecommunication products
IDT Communication Technology Limited	Hong Kong	HK\$2	100%	Trading of telecommunication products
Tekom Industries Limited	Hong Kong	HK\$10,000	100%	Trading of telecommunication products
<b>Sales and distribution business</b>				
Oregon Scientific Asia Pacific Limited	Hong Kong	HK\$2	100%	Marketing and distribution of consumer electronic products
Oregon Scientific Australia Pty Limited	Australia	A\$2,010,000	100%	Marketing and distribution of consumer electronic products
Oregon Scientific Brasil Ltda	Brazil	BRL48,000	100%	Marketing and distribution of consumer electronic products
Oregon Scientific France S.A.R.L.	France	EUR3,500,000	100%	Marketing and distribution of consumer electronic products
Oregon Scientific Global Distribution Limited	Hong Kong	HK\$2	100%	Marketing and distribution of consumer electronic products
Oregon Scientific Ibérica, S.A.	Spain	EUR300,000	100%	Marketing and distribution of consumer electronic products
Oregon Scientific Italia S.p.A.	Italy	EUR2,156,000	100%	Marketing and distribution of consumer electronic products
Oregon Scientific (Japan) Limited	Japan	JPY10,000,000	100%	Marketing and distribution of consumer electronic products
Oregon Scientific (U.K.) Limited	United Kingdom	GBP2,400,002	100%	Marketing and distribution of consumer electronic products
Oregon Scientific, Inc.	United States of America	US\$2,060,000	100%	Marketing and distribution of consumer electronic products
歐西亞貿易(上海)有限公司**	PRC	US\$200,000	100%	Marketing and distribution of consumer electronic products
IDT (Japan) Limited	Japan	JPY30,000,000	100%	Trading of consumer electronic products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## 33. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
IDT (U.K.) Limited	United Kingdom	GBP2	100%	Trading of consumer electronic products
IDT Enterprise (Shanghai) Ltd.**	PRC	US\$680,000	100%	Trading of consumer electronic products
Innovative Products Manufacturing Company Limited	Hong Kong	HK\$2	100%	Trading of consumer electronic products
<b>Corporate</b>				
Integrated Display Technology (Holdings) Limited	Hong Kong	HK\$1,000	100%	Investment holding
Integrated Display Technology Limited	Hong Kong	HK\$6,000,000	100%	Provision of group administrative services
萬威科技開發(深圳)有限公司**	PRC	USD420,000	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.

\*\*These are wholly foreign owned enterprises established in the PRC.

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

Except for Exact-Time Company Limited, King Win Electronics Limited, Ming Win Electronics Limited and Super Win Electronics Limited which operate in the PRC 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.

The above table lists the subsidiaries of the Company 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.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.