

# FINANCIAL REVIEW



# DIRECTORS' REPORT

The directors are pleased to present to the shareholders their annual report and audited financial statements of the Company and of the Group for the financial year ended March 31, 2005.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the design, development, manufacture, sales and marketing of various consumer electronic products. Details of the principal activities of the Group's subsidiaries are set out in note 32 to the financial statements.

## SEGMENT INFORMATION

Details of segment information are set out in note 4 to the financial statements.

## RESULTS

The results of the Group for the year ended March 31, 2005 are set out in the consolidated income statement on page 56 and further analysis is given in the accompanying notes to the financial statements.

## DIVIDENDS

An interim dividend of 3.0 HK cents per share (2004: 2.0 HK cent per share) was paid to the shareholders of the Company on January 5, 2005.

The directors of the Company have resolved to recommend at the forthcoming annual general meeting of the Company to be held on August 26, 2005 a final dividend of 5.0 HK cents per share (2004: 6.0 HK cents per share) to be paid on or about September 8, 2005 to the shareholders whose names appear on the register of members of the Company on August 26, 2005. The proposed final dividend, together with the interim dividend already paid, will amount to total dividends of 8.0 HK cents per share for the year (2004: 8.0 HK cents per share).

## GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

## SHARE CAPITAL

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

## RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 59 and note 25 to the financial statements respectively.

## INVESTMENT PROPERTIES

Details of the investment properties of the Group during the year are set out in note 11 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent an aggregate amount of approximately HK\$97.6 million on the acquisition of property, plant and equipment for the purpose of business expansion.

Details of movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

## DONATIONS

During the year, the Group made charitable and other donations of HK\$41,144 (2004: HK\$211,812).

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of purchases attributable to the Group's five largest suppliers in the year accounted for less than 30% of the Group's purchases.

The aggregate percentage of turnover attributable to the Group's five largest customers was approximately 23% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer was approximately 7% of the Group's turnover for the year.

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

# DIRECTORS' REPORT

## DIRECTORS

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

### Executive:

Raymond Chan, *Chairman & Chief Executive Officer*

Alain Jacques Gilbert Li, *Chief Financial Officer*

Chan Pau Shiu Yeng, Shirley

Giuseppe Finocchiaro

Shigenobu Morita (retired on August 18, 2004)

### Non-Executive:

Jack William Edouard Heuer

Lo Kai Yiu, Anthony\*

Kao Ying Lun\*

Jack Schmuckli\*

Kenichi Ohmae\*

Woo Chia Wei

Yoram (Jerry) Wind\* (appointed on March 21, 2005)

\* Independent Non-Executive Director

In accordance with Bye-law 97 of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being, or the number nearest to but not less than one-third, shall retire from office by rotation. The retiring directors shall be eligible for re-election.

At the forthcoming annual general meeting of the Company, Dr. Raymond Chan, Mr. Lo Kai Yiu, Anthony, Mr. Jack William Edouard Heuer and Professor Woo Chia Wei will retire as directors by rotation in accordance with Bye-law 97 of the Bye-laws of the Company. Dr. Raymond Chan, Mr. Lo Kai Yiu, Anthony and Professor Woo Chia Wei, all being eligible, offer themselves for re-election. Mr. Jack William Edouard Heuer will retire at the forthcoming annual general meeting and does not offer himself for re-election.

Professor Yoram (Jerry) Wind, appointed by the Board on March 21, 2005, will retire at the forthcoming annual general meeting in accordance with Bye-law 89 of the Bye-laws of the Company and, being eligible, offers himself for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive directors pursuant to rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Up to and as at the date of this report, the Company still considers the independent non-executive directors to be independent.

## DIRECTORS' SERVICE CONTRACTS

Each of the non-executive directors has entered into a service contract with the Company for a term of three years, except for Mr. Jack William Edouard Heuer, and is subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Bye-laws, commencing from November 10, 2004 in the cases of Mr. Lo Kai Yiu, Anthony, Mr. Kao Ying Lun, Mr. Jack Schmuckli, Dr. Kenichi Ohmae and Professor Woo Chia Wei and commencing from March 21, 2005 in the case of Professor Yoram (Jerry) Wind. Mr. Jack William Edouard Heuer has entered into a service contract with the Company commencing from April 1, 2004 up to the conclusion of the annual general meeting held in 2005. Under the said service contracts, each non-executive director is entitled to a fee of HK\$200,000 per annum subject to such adjustments as the Board of the Company considers appropriate and the approval of the shareholders at respective annual general meetings of the Company, which can be terminated by either party giving the other a three month's written notice.

Save as disclosed above, none of the director offering for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance (as defined in Appendix 16 of the Listing Rules) to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN SECURITIES

As at March 31, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under the provisions of the SFO) or which were recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Name	No. of shares held				% of the issued capital	Number of underlying shares held under equity derivatives
	Personal interests	Family interests	Corporate interests	Total no. of shares		
Raymond Chan	66,132,919	244,956,920 (note 1)	842,275,225 (note 2)	1,153,365,064	55.32%	-
Alain Jacques Gilbert Li	9,068,000	-	-	9,068,000	0.43%	1,000,000 (note 3)
Chan Pau Shiu Yeng, Shirley	73,964,526	908,408,144 (note 1)	170,992,394 (note 2)	1,153,365,064	55.32%	-
Giuseppe Finocchiaro	-	-	-	-	-	1,370,000 (note 3)
Jack William Edouard Heuer	1,800,000	-	-	1,800,000	0.09%	-
Lo Kai Yiu, Anthony	1,424,439	-	-	1,424,439	0.07%	-
Kao Ying Lun	-	-	-	-	-	-
Jack Schmuckli	1,846,000	-	-	1,846,000	0.09%	-
Kenichi Ohmae	-	-	-	-	-	-
Woo Chia Wei	-	-	-	-	-	-
Yoram (Jerry) Wind	-	-	-	-	-	-

All interests disclosed above represent long positions in the shares/underlying shares of the Company.

Notes:

- (1) Mrs. Chan Pau Shiu Yeng, Shirley is the spouse of Dr. Raymond Chan. The personal and corporate interests of Mrs. Chan Pau Shiu Yeng, Shirley are disclosed as the family interests of Dr. Raymond Chan. The personal and corporate interests of Dr. Raymond Chan are disclosed as the family interests of Mrs. Chan Pau Shiu Yeng, Shirley.
- (2) 842,275,225 ordinary shares are held by Integrated Display Technology Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Dr. Raymond Chan. 170,992,394 ordinary shares are held by Raymax Time Company Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mrs. Chan Pau Shiu Yeng, Shirley.
- (3) These represent the interests in underlying shares in respect of the share options granted by the Company and/or its associated corporation, the details of which are set out in the sub-section entitled "Share Option Schemes" below.

Save as disclosed above, none of the directors or the chief executives of the Company or any of their associates had, as at March 31, 2005, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under the provisions of the SFO) or which were recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

As at March 31, 2005, the following persons (other than the directors or the chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company were as follows:

Name	No. of shares held	% of the issued share capital
Integrated Display Technology Limited (note 1)	842,275,225	40.40%
Raymax Time Company Limited (note 2)	170,992,394	8.20%

All interests disclosed above represent long positions in the shares of the Company.

Notes:

- (1) Integrated Display Technology Limited, a company incorporated in the British Virgin Islands, is wholly owned by Dr. Raymond Chan. Such corporate interests are also disclosed in the sub-section entitled "Directors' Interests in Securities" above.
- (2) Raymax Time Company Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mrs. Chan Pau Shiu Yeng, Shirley. Such corporate interests are also disclosed in the sub-section entitled "Directors' Interests in Securities" above.

Save as disclosed above, the Company had not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as at March 31, 2005 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEMES

Particulars of outstanding options at the beginning and at the end of the financial year ended March 31, 2005 and options granted, exercised, cancelled and lapsed during the period under each of the share option scheme adopted on September 28, 1993 ("1993 IDT International Option Scheme"), share option scheme adopted on August 28, 2002 ("2002 IDT International Option Scheme") and share option scheme ("IDTS Option Scheme") operated by IDT Holdings (Singapore) Limited, the subsidiary of the Company, were as follows:

### (1) 1993 IDT International Option Scheme

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Outstanding at 4.1.2004	Exercised during the year	Number of options		
					Exercise price per share HK\$	Lapsed/cancelled during the year	Outstanding at 3.31.2005
<b>Directors</b>							
Alain Jacques Gilbert Li	4.11.2002	4.11.2004 to 4.10.2007	1,000,000	1,000,000	0.6545	-	-
<b>Employees</b>							
	12.29.1998*	12.30.1999 to 12.29.2008	525,000*	-	0.509*	-	525,000*
	12.29.1998*	12.30.2000 to 12.29.2008	552,000*	26,000	0.509*	1,000	525,000*
			2,077,000	1,026,000		1,000	1,050,000

\* Share options granted on December 29, 1998 were adjusted in terms of number and exercise price owing to the three-for-four bonus issue of shares made by the Company in August 1999.

No option was granted under the 1993 IDT International Option Scheme during the year.

The closing market price per share immediately before April 11, 2004 and November 18, 2004, the dates on which the share options were exercised were HK\$1.81 and HK\$1.74 respectively.

The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 1993 IDT International Option Scheme was HK\$1.808 per share.

## SHARE OPTION SCHEMES (continued)

### (2) 2002 IDT International Option Scheme

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Number of options					
			Outstanding at 4.1.2004	Granted during the year	Exercised during the year	Exercise price per share HK\$	Lapsed/cancelled during the year	Outstanding at 3.31.2005
<b>Directors</b>								
Alain Jacques Gilbert Li	3.17.2003	3.18.2005 to 3.16.2013	500,000	-	-	0.780	-	500,000
	3.17.2003	3.18.2007 to 3.16.2013	500,000	-	-	0.780	-	500,000
Giuseppe Finocchiaro	2.28.2003	3.1.2005 to 2.27.2013	500,000	-	-	0.798	-	500,000
	2.28.2003	3.1.2007 to 2.27.2013	500,000	-	-	0.798	-	500,000
	6.25.2004	6.26.2005 to 6.25.2014	-	170,000	-	1.810	-	170,000
<b>Employees</b>								
	8.30.2002	8.30.2004 to 8.29.2012	1,000,000	-	500,000	0.730	-	500,000
	10.18.2002	10.18.2003 to 10.17.2012	250,000	-	250,000	0.730	-	-
	10.18.2002	10.18.2005 to 10.17.2012	250,000	-	-	0.730	250,000	-
	4.1.2003	4.2.2004 to 4.1.2013	500,000	-	500,000	0.810	-	-
	4.1.2003	4.2.2005 to 4.1.2013	500,000	-	-	0.810	500,000	-
	5.21.2003	5.21.2005 to 5.20.2013	250,000	-	-	0.830	-	250,000
	5.21.2003	5.21.2006 to 5.20.2013	250,000	-	-	0.830	-	250,000
	8.12.2003	8.13.2004 to 8.12.2013	1,000,000	-	-	0.976	-	1,000,000
	7.5.2004	7.6.2006 to 7.5.2014	-	500,000	-	1.860	-	500,000
	7.5.2004	7.6.2007 to 7.5.2014	-	500,000	-	1.860	-	500,000
	10.7.2004	10.8.2006 to 10.7.2014	-	250,000	-	1.880	-	250,000
	10.7.2004	10.8.2007 to 10.7.2014	-	250,000	-	1.880	-	250,000
	11.12.2004	11.13.2005 to 11.12.2014	-	500,000	-	1.860	-	500,000
	11.12.2004	11.13.2007 to 11.12.2014	-	500,000	-	1.860	-	500,000
			6,000,000	2,670,000	1,250,000		750,000	6,670,000

The closing market prices per share immediately before June 25, 2004, July 5, 2004, October 7, 2004 and November 12, 2004, the dates on which the share options were granted, were HK\$1.81, HK\$1.85, HK\$1.88 and HK\$1.82 respectively.

The weighted average closing price of the shares immediately before the dates on which share options were granted under the 2002 IDT International Option Scheme was HK\$1.842 per share.

The closing market prices per share immediately before March 22, 2004, April 6, 2004 and September 10, 2004, the dates on which the share options were exercised, were HK\$1.83, HK\$1.80 and HK\$1.83 respectively.

The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2002 IDT International Option Scheme was HK\$1.818 per share.

# DIRECTORS' REPORT

## SHARE OPTION SCHEMES (continued)

### (3) IDTS Option Scheme

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Number of options				
			Outstanding at 4.1.2004	Exercised during the year	Exercise price per share S\$	Lapsed/cancelled during the year	Outstanding at 3.31.2005
<b>Directors</b>							
Giuseppe Finocchiaro	8.14.2000	8.15.2002 to 8.13.2005	100,000	–	2.149	–	100,000
	8.14.2000	8.15.2004 to 8.13.2005	100,000	–	2.149	–	100,000
<b>Employees</b>							
	8.14.2000	8.15.2002 to 8.13.2005	672,500	165,000	2.149	–	507,500
	8.14.2000	8.15.2003 to 8.13.2005	200,000	–	2.149	–	200,000
	8.14.2000	8.15.2004 to 8.13.2005	572,500	50,000	2.149	15,000	507,500
	1.12.2001	1.13.2005 to 1.11.2006	30,000	–	1.424	–	30,000
			1,675,000	215,000		15,000	1,445,000

The closing market prices per share immediately before August 4, 2004, October 25, 2004, November 24, 2004 and March 9, 2005, the dates on which the share options were exercised were S\$2.30, S\$2.45, S\$2.60 and S\$2.31 respectively.

The weighted average closing price of the shares immediately before the dates on which share options were exercised under the IDTS Option Scheme was S\$2.443 per share.

No share option was granted under the IDTS Option Scheme during the year.

The directors consider it is not appropriate to disclose the value of the share options granted during the year under the 2002 IDT International Option Scheme since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The directors believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading.

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Details of share options granted to or exercised by the directors of the Company during the year and their outstanding balances at March 31, 2005 are set out in the sub-section entitled "Share Option Schemes" above and also in note 24 to the financial statements.

Save as disclosed, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save for the share options set out in the sub-section entitled "Share Option Schemes" above and also in note 24 to the financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights at March 31, 2005.

Other than the issue and exercise of share options pursuant to the share option schemes of the Company as explained above, there was no issue or exercise of any convertible securities, options, warrants or similar rights of the Company during the year.

## RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement schemes are set out in note 31 to the financial statements.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by officers of the Group (the "Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, they have confirmed that they fully complied with the required standards set out in both the Model Code and the Code throughout the year ended March 31, 2005.

## CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (in force prior to January 1, 2005) throughout the nine months ended December 31, 2004, save and except that all non-executive directors of the Company are not appointed for specific terms but they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company prior to November 10, 2004. Effective from November 10, 2004, each non-executive director has entered into a service contract with the Company for a fixed term not exceeding three years and is subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Bye-laws. The said code has been replaced by the Code on Corporate Governance Practices which came into effect on January 1, 2005. The report on the Group's corporate governance practices are set out in the Corporate Governance Report on pages 46 to 54 of this annual report.

## AUDIT COMMITTEE

The audit committee, comprising independent non-executive directors, Mr. Lo Kai Yiu, Anthony (Chairman) and Mr. Kao Ying Lun, and non-executive director, Mr. Jack William Edouard Heuer, had reviewed with management the accounting principles and practices adopted by the Group and discussed, among other things, auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended March 31, 2005. The Audit Committee had also reviewed the annual results of the Group for the year ended March 31, 2005 in conjunction with the Company's external auditors.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this annual report, the percentage of the Company's share which are in the hands of the public exceeds 25% of the Company's total number of issued shares throughout the year ended March 31, 2005.

## AUDITORS

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the Board of Directors



**Raymond Chan**  
Chairman & Chief Executive Officer



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

Hong Kong  
May 26, 2005