

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

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 NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") (hereinafter collectively referred to as "new HKFRS") which are effective for accounting periods beginning on or after January 1, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended March 31, 2005 except for the adoption of HKAS40 "Investment property" ("HKAS 40").

HKAS 40 introduces both cost model and fair value model for the measurement of investment property. Under the fair value model, HKAS 40 requires fair value changes be recognised to the income statement in the period in which they arise. The Group has elected to apply the fair value model in measuring its investment properties and recognises the fair value changes to the income statement in the period in which they arise. As a result of the adoption of HKAS 40, the Group's profit attributable to the shareholders for the year ended March 31, 2005 included an amount of HK\$8.4 million, representing the increase in fair value of investment properties in the current period. There was no effect on the Group's results for the prior accounting periods with respect to the early adoption of HKAS 40.

For those new HKFRSs that the Group has not early adopted in the financial statements for the year ended March 31, 2005, the Group has commenced considering the potential impact of those new HKFRSs but is not yet in a position to determine whether those HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. Those HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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 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 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 20 years. 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 at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 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.

Investments in subsidiaries

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

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, which are properties held to earn rental income and/or for capital appreciation, are stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, other than construction in progress, 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 Statement of Standard Accounting Practice ("SSAP") No. 17 "Property, plant and equipment" issued by the HKICPA 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.

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects. It is not depreciated until completion of construction and the asset is put into use. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

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 2 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 5 years.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income statement 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 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, telecommunications products, digital media 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
Telecommunications products	– design, development, manufacture, and sales and marketing of telecommunications products
Digital media products	– design, development, manufacture, and sales and marketing of digital media 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

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	Telecom- munications products HK\$'M	Digital media products HK\$'M	Electronic learning products HK\$'M	Other consumer electronic products HK\$'M	Total HK\$'M
Year ended March 31, 2005						
TURNOVER						
Branded sales	793.0	68.6	168.6	392.2	4.7	1,427.1
OEM/ODM sales	406.2	473.6	413.7	171.3	2.8	1,467.6
Total	1,199.2	542.2	582.3	563.5	7.5	2,894.7
RESULTS						
Segment results	180.2	36.9	(73.4)	36.3	(0.1)	179.9
Interest income						15.0
Unallocated corporate income						5.5
Profit from operations						200.4
Finance costs						(12.9)
Profit before taxation						187.5
Taxation						(0.5)
Profit before minority interests						187.0
Minority interests						(57.0)
Net profit attributable to shareholders						130.0
Year ended March 31, 2004						
TURNOVER						
Branded sales	701.2	66.9	212.3	407.2	12.1	1,399.7
OEM/ODM sales	348.3	657.3	172.3	178.3	1.4	1,357.6
Total	1,049.5	724.2	384.6	585.5	13.5	2,757.3
RESULTS						
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

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	Telecom- munications products HK\$'M	Digital media products HK\$'M	Electronic learning products HK\$'M	Other consumer electronic products HK\$'M	Total HK\$'M
At March 31, 2005						
ASSETS						
Segment assets	1,060.1	296.9	385.7	318.0	6.9	2,067.6
Unallocated corporate assets						263.8
Consolidated total assets						2,331.4
LIABILITIES						
Segment liabilities	141.4	69.8	131.9	58.8	0.6	402.5
Unallocated corporate liabilities						464.7
Consolidated total liabilities						867.2
At March 31, 2004						
ASSETS						
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
LIABILITIES						
Segment liabilities	161.4	143.6	38.8	65.1	2.5	411.4
Unallocated corporate liabilities						258.4
Consolidated total liabilities						669.8

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(A) Business segments (continued)

(iii) Other information

	LCD consumer electronic products HK\$'M	Telecom- munications products HK\$'M	Digital media products HK\$'M	Electronic learning products HK\$'M	Other consumer electronic products HK\$'M	Total HK\$'M
Year ended March 31, 2005						
Capital additions						
– property, plant and equipment						
– business segments	42.8	5.1	9.8	10.0	2.3	70.0
– unallocated corporate items						27.6
– product development costs	12.2	15.3	13.8	14.0	–	55.3
Depreciation and amortisation						
– property, plant and equipment						
– business segments	29.7	14.5	7.2	8.6	0.1	60.1
– unallocated corporate items						5.1
– intangible assets	10.5	8.0	5.1	14.2	–	37.8
– goodwill	0.2	0.9	–	–	–	1.1
Loss on disposal of property, plant and equipment						
– business segments	0.6	0.1	0.2	0.4	–	1.3
– unallocated corporate items						1.6
Write-off of product development costs						
	–	5.4	4.2	0.1	–	9.7
Year ended March 31, 2004						
Capital additions						
– 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
Depreciation and amortisation						
– 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
Loss on disposal of property, plant and equipment						
– business segments	1.1	0.3	0.3	1.0	–	2.7
– unallocated corporate items						0.9
Write-off of product development costs						
	–	–	3.6	–	–	3.6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

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 Asia Pacific 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 Asia Pacific countries.

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

	Turnover	
	2005 HK\$'M	2004 HK\$'M
Americas	1,083.9	1,102.9
Europe	1,089.8	1,198.6
Asia Pacific	721.0	455.8
	2,894.7	2,757.3

- (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	
	2005 HK\$'M	2004 HK\$'M	2005 HK\$'M	2004 HK\$'M
Hong Kong and other parts of the PRC	1,430.6	1,568.7	135.5	85.5
Europe	552.3	408.0	7.9	9.8
Americas	224.2	133.7	6.8	2.3
Other Far East countries	45.5	28.5	2.7	0.7
	2,252.6	2,138.9	152.9	98.3
Unallocated assets	78.8	48.1	-	-
	2,331.4	2,187.0	152.9	98.3

5. PROFIT FROM OPERATIONS

	2005 HK\$'M	2004 HK\$'M
Profit from operations has been arrived at after charging:		
Directors' remuneration (note 6)	19.0	31.1
Other staff's retirement benefits scheme contributions, net of forfeited contributions of HK\$0.1 million (2004: HK\$0.4 million)	16.4	6.7
Other staff costs	485.2	386.0
	520.6	423.8
Less: Staff costs capitalised in product development cost	(34.6)	(27.1)
	486.0	396.7
Amortisation of goodwill included in administrative expenses	1.1	1.0
Amortisation of product development costs included in research and development costs	37.8	36.7
Auditors' remuneration	4.3	3.3
Depreciation and amortisation of property, plant and equipment		
– owned by the Group	64.9	63.6
– held under finance leases	0.3	0.2
Loss on disposal of property, plant and equipment	2.9	3.6
Operating lease rentals in respect of		
– land and buildings	40.4	32.4
– office equipment and motor vehicles	2.3	0.7
Write-off of product development costs included in research and development costs	9.7	3.6
and after crediting:		
Gain on deemed partial disposal of a subsidiary	0.8	1.1
Gain on disposal of an associate	–	1.6
Interest income	15.0	20.7
Mould construction income	10.2	11.2
Property rental income before deduction of negligible outgoings	0.7	0.8
Gain from fair value adjustment of investment properties	8.4	–

Included in the above directors' remuneration were operating lease rentals of HK\$1.0 million (2004: HK\$1.0 million) paid in respect of accommodation provided to a director.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

6. DIRECTORS' REMUNERATION

	2005 HK\$'M	2004 HK\$'M
Directors' fees		
– executive	0.5	0.5
– non-executive	0.4	0.6
– independent non-executive	1.0	1.4
	1.9	2.5
Other emoluments of executive directors		
– basic salaries and allowances	14.9	14.5
– bonus	0.3	12.3
– retirement benefits scheme contributions	1.1	1.0
	16.3	27.8
Other emoluments of non-executive directors		
– basic salaries and allowances	0.3	0.4
Other emoluments of independent non-executive directors		
– basic salaries and allowances	0.5	0.4
	19.0	31.1

The emoluments of the directors were within the following bands:

	Number of director(s)	
	2005	2004
Up to HK\$1,000,000	7	6
HK\$2,000,001 to HK\$2,500,000	2	1
HK\$3,500,001 to HK\$4,000,000	2	–
HK\$4,000,001 to HK\$4,500,000	–	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\$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.

7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included four (2004: 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:

	2005 HK\$'M	2004 HK\$'M
Basic salaries and allowances	3.5	2.9
Bonus	-	0.2
Retirement benefits scheme contributions	-	-
	3.5	3.1

The emoluments were within the band of HK\$3,000,001 to HK\$3,500,000.

8. TAXATION

	2005 HK\$'M	2004 HK\$'M
The charge comprises:		
Taxation of the Company and its subsidiaries:		
Hong Kong Profits Tax		
– current year	(24.2)	(37.7)
– underprovision in prior years	-	(1.1)
Tax in other jurisdictions		
– current year	(2.5)	(8.8)
– underprovision in prior years	(2.9)	(0.2)
	(29.6)	(47.8)
Deferred taxation (note 17)	29.1	21.2
	(0.5)	(26.6)
Share of Hong Kong Profits Tax of an associate	-	(0.1)
	(0.5)	(26.7)

Hong Kong Profits Tax is calculated at 17.5% 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, 2005

8. TAXATION (continued)

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

	2005		2004	
	HK\$'M	%	HK\$'M	%
Profit before taxation	187.5		335.4	
Tax at the domestic income tax rate	(32.8)	(17.5)	(58.7)	(17.5)
Tax effect of expenses not deductible for tax purposes	(6.2)	(3.3)	(8.8)	(2.6)
Tax effect of income not taxable for tax purposes	8.3	4.4	8.9	2.7
Tax effect of tax losses not recognised	(6.9)	(3.7)	(6.0)	(1.8)
Utilisation of tax losses previously not recognised	5.2	2.8	3.4	1.0
Tax effect of tax losses previously not recognised	10.4	5.5	7.8	2.3
Effect of different tax rates of subsidiaries operating in other jurisdictions	18.6	9.9	21.5	6.4
Income tax on concessionary rates	2.0	1.1	2.6	0.8
Underprovision in prior years	(2.9)	(1.5)	(1.3)	(0.4)
Others	3.8	2.0	3.9	1.1
Tax effect and effective tax rate for the year	(0.5)	(0.3)	(26.7)	(8.0)

9. DIVIDENDS

	2005 HK\$'M	2004 HK\$'M
Interim dividend of 3.0 HK cents (2004: 2.0 HK cents) per share	62.6	41.6
Proposed final dividend of 5.0 HK cents (2004: 6.0 HK cents) per share	104.2	124.9
Additional final dividend for the prior year due to exercise of share options	0.1	0.1
	166.9	166.6

The amount of final dividend proposed for the year ended March 31, 2005 has been calculated with reference to 2,084,725,907 ordinary shares in issue as at the date of this report and are subject to approval by the shareholders in the forthcoming annual general meeting. Accordingly, they are not recognised as liabilities.

10. EARNINGS PER SHARE

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

	2005 HK\$'M	2004 HK\$'M
Earnings:		
Net profit attributable to shareholders and earnings for the purposes of basic earnings per share	130.0	250.8
Effect of dilutive potential ordinary shares – adjustment to the share of profits of a subsidiary based on dilution of its earnings per share	(0.1)	(0.2)
Earnings for the purposes of diluted earnings per share	129.9	250.6
Number of ordinary shares:		
	2005	2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,084,417,430	2,077,505,100
Effect of dilutive potential ordinary shares – share options	3,147,070	5,255,353
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,087,564,500	2,082,760,453

11. INVESTMENT PROPERTIES

	HK\$'M
THE GROUP	
VALUATION	
At April 1, 2003 and March 31, 2004	6.4
Gain from fair value adjustment	8.4
At March 31, 2005	14.8

The investment properties which are rented out under operating leases were revalued at March 31, 2005 by BMI Appraisals Limited, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

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	Construction in progress HK\$'M	Total HK\$'M
THE GROUP						
COST OR VALUATION						
At April 1, 2004	72.4	256.2	15.4	277.3	–	621.3
Currency realignment	1.2	1.9	0.2	–	–	3.3
Additions	–	41.0	2.6	37.9	16.1	97.6
Disposals	–	(6.6)	(6.5)	(0.7)	–	(13.8)
At March 31, 2005	73.6	292.5	11.7	314.5	16.1	708.4
Comprising:						
At cost	16.2	292.5	11.7	314.5	16.1	651.0
At valuation						
– 1993	49.3	–	–	–	–	49.3
– 1994	8.1	–	–	–	–	8.1
	73.6	292.5	11.7	314.5	16.1	708.4
DEPRECIATION AND AMORTISATION						
At April 1, 2004	20.8	142.2	9.6	158.9	–	331.5
Currency realignment	0.4	1.4	0.1	–	–	1.9
Provided for the year	3.7	31.6	1.5	28.4	–	65.2
Eliminated on disposals	–	(3.2)	(4.6)	(0.4)	–	(8.2)
At March 31, 2005	24.9	172.0	6.6	186.9	–	390.4
NET BOOK VALUES						
At March 31, 2005	48.7	120.5	5.1	127.6	16.1	318.0
At March 31, 2004	51.6	114.0	5.8	118.4	–	289.8

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

	The Group	
	2005 HK\$'M	2004 HK\$'M
Properties held under medium-term leases in Hong Kong	35.0	36.6
Freehold properties situated outside Hong Kong	13.7	15.0
	48.7	51.6

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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\$26.0 million (2004: HK\$27.9 million).

At the balance sheet date, the net book value of property, plant and equipment held under finance leases was HK\$0.2 million (2004: HK\$0.5 million).

13. INTANGIBLE ASSETS

	Product development costs HK\$'M	Patents and trademarks HK\$'M	Total HK\$'M
THE GROUP			
COST			
At April 1, 2003	157.1	1.7	158.8
Additions	51.6	–	51.6
Write-off	(3.6)	–	(3.6)
At March 31, 2004	205.1	1.7	206.8
Additions	55.3	–	55.3
Write-off	(43.7)	–	(43.7)
At March 31, 2005	216.7	1.7	218.4
AMORTISATION			
At April 1, 2003	94.4	1.7	96.1
Amortised for the year	36.7	–	36.7
At March 31, 2004	131.1	1.7	132.8
Amortised for the year	37.8	–	37.8
Eliminated on write-off	(34.0)	–	(34.0)
At March 31, 2005	134.9	1.7	136.6
CARRYING VALUES			
At March 31, 2005	81.8	–	81.8
At March 31, 2004	74.0	–	74.0

The product development costs are amortised on a straight line basis over its estimated useful economic life of 2 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

14. GOODWILL

	HK\$'M
THE GROUP	
COST	
At April 1, 2003 and March 31, 2004	19.1
Arising on deemed acquisition of additional interest in a subsidiary	9.5
At March 31, 2005	28.6
AMORTISATION	
At April 1, 2003	0.1
Amortised for the year	1.0
At March 31, 2004	1.1
Amortised for the year	1.1
At March 31, 2005	2.2
CARRYING VALUE	
At March 31, 2005	26.4
At March 31, 2004	18.0

The goodwill is amortised on a straight line basis over its estimated useful economic life of 20 years.

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2005 HK\$'M	2004 HK\$'M
Unlisted investments, at cost	204.8	204.8
Amounts due from subsidiaries	427.7	384.7
	632.5	589.5

Details of the Company's principal subsidiaries at March 31, 2005 are set out in note 32.

16. LONG-TERM BANK DEPOSITS

	The Group 2005 & 2004 HK\$'M
Deposits placed with	
– AAA-rated* institution	156.0
– AA1-rated* institution	140.4
	296.4

* According to Moody's Investors Service.

16. LONG-TERM BANK DEPOSITS (continued)

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 zero if certain conditions based on formulae linked to London Inter-Bank Offered Rate or New York City Inter-Bank Offered Rates are met.

17. 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
THE GROUP							
At April 1, 2003	(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
At March 31, 2004	(9.9)	(12.8)	(5.9)	18.8	25.0	6.0	21.2
Currency realignment	-	-	-	0.6	-	0.1	0.7
(Charge) credit to income for the year	(3.2)	(1.0)	-	23.9	11.9	(2.5)	29.1
At March 31, 2005	(13.1)	(13.8)	(5.9)	43.3	36.9	3.6	51.0

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	
	2005 HK\$'M	2004 HK\$'M
Deferred tax assets	78.8	48.1
Deferred tax liabilities	(27.8)	(26.9)
	51.0	21.2

At the balance sheet date, the Group has unutilised tax losses of HK\$262.6 million (2004: HK\$204.7 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$158.1 million (2004: HK\$55.7 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$104.5 million (2004: HK\$149.0 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK\$19.4 million (2004: HK\$32.9 million) that will expire in the years of 2006 to 2010 (2004: 2007 to 2016). Other losses may be carried forward indefinitely.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

18. INVENTORIES

	The Group	
	2005 HK\$'M	2004 HK\$'M
Raw materials	128.8	169.9
Work in progress	60.2	38.6
Finished goods	545.5	310.0
	734.5	518.5

19. PROPERTY HELD FOR RESALE

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

20. 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	
	2005 HK\$'M	2004 HK\$'M
The following is an aged analysis of trade receivables at the balance sheet date:		
Not yet due	287.9	264.1
Overdue less than 30 days	32.4	38.7
Overdue 31 to 90 days	19.8	17.5
Overdue more than 90 days	12.5	11.1
	352.6	331.4
Other receivables	112.4	69.0
	465.0	400.4

21. TRADE AND OTHER PAYABLES

	The Group	
	2005 HK\$'M	2004 HK\$'M
The following is an aged analysis of trade payables at the balance sheet date:		
Not yet due	140.9	159.7
Overdue less than 30 days	50.6	63.3
Overdue 31 to 90 days	6.5	10.6
Overdue more than 90 days	6.8	7.2
	204.8	240.8
Other payables	201.4	188.5
	406.2	429.3

22. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'M	2004 HK\$'M	2005 HK\$'M	2004 HK\$'M
Amount payable under finance leases:				
Within one year	0.1	0.2	0.1	0.2
Between one and two years	0.1	0.2	0.1	0.2
	0.2	0.4	0.2	0.4
Less: Future finance charges	-	-	-	-
Present value of obligations under finance leases	0.2	0.4	0.2	0.4
Less: Amount due within one year shown under current liabilities			0.1	0.2
Amount due after one year			0.1	0.2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

23. SHARE CAPITAL

	Number of shares	Amount HK\$'M
Authorised:		
At April 1, 2003, March 31, 2004 and March 31, 2005		
- ordinary shares of HK\$0.10 each	3,500,000,000	350.0
- ordinary shares of US\$0.10 each	10,000	-
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
- at April 1, 2003		
- exercise of share options	2,072,048,407	207.2
	10,401,500	1.0
- at March 31, 2004		
- exercise of share options	2,082,449,907	208.2
	2,276,000	0.3
- at March 31, 2005		
	2,084,725,907	208.5

During the year, 26,000, 500,000, 750,000 and 1,000,000 share options were exercised at a subscription price of HK\$0.509 per share, HK\$0.810 per share, 0.730 per share and 0.6545 per share respectively, resulting in aggregate the issue of 2,276,000 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.

24. 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 and 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) does 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.

24. SHARE OPTION SCHEMES (continued)

(A) 1993 IDT International Option Scheme (continued)

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).

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 (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share HK\$	Number of share options		Lapsed/ cancelled during the year	Outstanding at 3.31.2004	
				Outstanding at 4.1.2003	Reclassification			
Directors	12.29.1998	12.30.1999 to 12.29.2008	0.509	218,750	437,500	(656,250)	-	
	12.29.1998	12.30.2000 to 12.29.2008	0.509	218,750	437,500	(656,250)	-	
	8.30.2001	3.13.2002 to 8.30.2011	0.453	9,000,000	-	(9,000,000)	-	
	4.11.2002	4.11.2004 to 4.10.2007	0.6545	1,000,000	-	-	1,000,000	
Employees	12.29.1998	12.30.1999 to 12.29.2008	0.509	964,000	(437,500)	(1,500)	-	
	12.29.1998	12.30.2000 to 12.29.2008	0.509	1,077,000	(437,500)	(87,500)	-	
	1.12.2001	1.13.2005 to 1.12.2011	0.525	150,000	-	-	(150,000)	
				12,628,500	-	(10,401,500)	(150,000)	2,077,000

The movements of share options under the 1993 IDT International Option Scheme during the year ended March 31, 2005 and the balances at March 31, 2005 are set out below:

Participants	Date of grant (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share HK\$	Number of share options			Outstanding at 3.31.2005
				Outstanding at 4.1.2004	Exercised during the year	Lapsed/ cancelled during the year	
Directors	4.11.2002	4.11.2004 to 4.10.2007	0.6545	1,000,000	(1,000,000)	-	-
Employees	12.29.1998	12.30.1999 to 12.29.2008	0.509	525,000	-	-	525,000
	12.29.1998	12.30.2000 to 12.29.2008	0.509	552,000	(26,000)	(1,000)	525,000
				2,077,000	(1,026,000)	(1,000)	1,050,000

The number of options vested as at April 1, 2003, March 31, 2004 and March 31, 2005 was 11,478,500, 1,077,000 and 1,050,000 respectively.

The market prices of shares of the Company at the dates of exercise of share options during the year ended March 31, 2005 was at a range of HK\$1.74 to HK\$1.81 (2004: HK\$0.94 to HK\$1.10) per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

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

Participants	Date of grant (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share HK\$	Number of share options		Granted during the year	Outstanding at 3.31.2004
				Outstanding at 4.1.2003	Reclassification		
Directors	2.28.2003	3.1.2005 to 2.27.2013	0.798	-	500,000	-	500,000
	2.28.2003	3.1.2007 to 2.27.2013	0.798	-	500,000	-	500,000
	3.17.2003	3.18.2005 to 3.16.2013	0.780	500,000	-	-	500,000
	3.17.2003	3.18.2007 to 3.16.2013	0.780	500,000	-	-	500,000
Employees	8.30.2002	8.30.2004 to 8.29.2012	0.730	1,000,000	-	-	1,000,000
	10.18.2002	10.18.2003 to 10.17.2012	0.730	250,000	-	-	250,000
	10.18.2002	10.18.2005 to 10.17.2012	0.730	250,000	-	-	250,000
	2.28.2003	3.1.2005 to 2.27.2013	0.798	500,000	(500,000)	-	-
	2.28.2003	3.1.2007 to 2.27.2013	0.798	500,000	(500,000)	-	-
	4.1.2003	4.2.2004 to 4.1.2013	0.810	-	-	500,000	500,000
	4.1.2003	4.2.2005 to 4.1.2013	0.810	-	-	500,000	500,000
	5.21.2003	5.21.2005 to 5.20.2013	0.830	-	-	250,000	250,000
	5.21.2003	5.21.2006 to 5.20.2013	0.830	-	-	250,000	250,000
	8.12.2003	8.13.2004 to 8.12.2013	0.976	-	-	1,000,000	1,000,000
				3,500,000	-	2,500,000	6,000,000

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

24. 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, 2005 and the balances at March 31, 2005 are set out below:

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

Nominal consideration for options granted during the year ended March 31, 2005 was received.

The number of options vested as at April 1, 2003, March 31, 2004 and March 31, 2005 was nil, 250,000 and 2,500,000 respectively.

The market prices of shares of the Company at the dates of exercise of share options during the year ended March 31, 2005 was at a range of HK\$1.78 to HK\$1.84 (2004: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

24. SHARE OPTION SCHEMES (continued)

(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.

24. 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, 2004 and the balances at March 31, 2004 are set out below:

Participants	Date of grant (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share	Number of share options				
				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 12.28.2003	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 movements of the share options under the IDTS Option Scheme during the year ended March 31, 2005 and the balances at March 31, 2005 are set out below:

Participants	Date of grant (M/D/Y)	Exercisable period (M/D/Y)	Exercise price per share S\$	Number of share options			
				Outstanding at 4.1.2004	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding at 3.31.2005
Directors	8.14.2000	8.15.2002 to 8.13.2005	2.149	100,000	-	-	100,000
	8.14.2000	8.15.2004 to 8.13.2005	2.149	100,000	-	-	100,000
Other employees	8.14.2000	8.15.2002 to 8.13.2005	2.149	672,500	(165,000)	-	507,500
	8.14.2000	8.15.2003 to 8.13.2005	2.149	200,000	-	-	200,000
	8.14.2000	8.15.2004 to 8.13.2005	2.149	572,500	(50,000)	(15,000)	507,500
	1.12.2001	1.13.2005 to 1.11.2006	1.424	30,000	-	-	30,000
				1,675,000	(215,000)	(15,000)	1,445,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

24. SHARE OPTION SCHEMES (continued)

(C) IDTS Option Scheme (continued)

The number of options vested as at April 1, 2003, March 31, 2004 and March 31, 2005 was 2,858,500, 972,500 and 1,445,000 respectively.

The market price of shares of IDTS at the date of exercise of share options during the year ended March 31, 2005 was at a range of HK\$10.52 to HK\$12.23 (2004: HK\$6.643 to HK\$9.149) per share.

The financial impact of share options granted is not recorded in the respective 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 respective 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 respective 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.

25. RESERVES

	Share premium HK\$'M	Contributed surplus HK\$'M	Retained profits HK\$'M	Total HK\$'M
THE COMPANY				
At April 1, 2003	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)
At March 31, 2004	67.4	126.2	157.1	350.7
Premium arising on issue of shares	1.4	-	-	1.4
Net profit attributable to shareholders	-	-	165.4	165.4
Dividends	-	-	(187.6)	(187.6)
At March 31, 2005	68.8	126.2	134.9	329.9

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, 2005 was HK\$261.1 million (2004: HK\$283.3 million), which comprises the aggregate of contributed surplus and retained profits of the Company.

26. MAJOR NON-CASH TRANSACTIONS

In 2004, 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.

27. 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	
	2005 HK\$'M	2004 HK\$'M
Land and buildings		
Within one year	36.5	30.3
In the second to fifth year inclusive	76.8	64.8
After five years	4.8	15.5
	118.1	110.6
Office equipment and motor vehicles		
Within one year	1.8	0.9
In the second to fifth year inclusive	2.7	1.0
	4.5	1.9

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

	The Group	
	2005 HK\$'M	2004 HK\$'M
Within one year	0.1	0.7
In the second to fifth year inclusive	–	0.1
	0.1	0.8

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

28. CAPITAL COMMITMENTS

	The Group	
	2005 HK\$'M	2004 HK\$'M
Capital expenditure in respect of acquisition of property, plant and equipment		
– authorised but not contracted for	13.2	91.8
– contracted for but not provided in the financial statements	2.6	7.5
	15.8	99.3

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

29. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given guarantees to the extent of HK\$416.8 million (2004: HK\$172.1 million) to certain banks to secure the credit facilities granted to its subsidiaries.

30. FORWARD CONTRACT COMMITMENTS

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

	The Group	
	2005	2004
Principal amounts of forward contracts held for hedging purposes against trading transactions and monetary assets and liabilities:		
Sales of Euro	EUR 35,315,474	EUR2,500,000
Sales of Great Britain Pounds	GBP 6,320,000	GBP1,000,000
Sales of Australian Dollars	AUD 4,789,000	–
Purchases of United States Dollars	US\$63,347,495	US\$4,987,510

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

31. 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.

32. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are wholly-owned by the Company except for those subsidiaries within the LCD consumer electronic products business division are 63% owned by the Company, at March 31, 2005 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Principal activities
LCD consumer electronic products business			
IDT Holdings (Singapore) Limited	Singapore	S\$35,122,525	Investment holding
Exact-Time Company Limited	Hong Kong	HK\$2	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** (Cheer Win Electronics (Shenzhen) Co. Ltd.)	PRC	US\$420,000	Manufacture and sales of consumer electronic products
Huger Electronics GmbH	Germany	DM3,500,000*	Marketing and distribution of consumer electronic products
IDT Technology Limited	Hong Kong	HK\$2	Trading of consumer electronic products
Rich Win Electronics Limited	Hong Kong	HK\$2	Trading of consumer electronic products
Digital media products business			
King Win Electronics Limited	Hong Kong	HK\$20	Manufacture of consumer electronic products
IDT Data System Limited	Hong Kong	HK\$2	Trading of consumer electronic products
IDT Sonicvision Limited	Hong Kong	HK\$100	Trading of consumer electronic products
Electronic learning products business			
Ming Win Electronics Limited	Hong Kong	HK\$2	Manufacture of consumer electronic products
IDT Electronic Products Limited	Hong Kong	HK\$2	Trading of consumer electronic products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

32. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Principal activities
Telecommunications products business			
萬威電訊(深圳)有限公司 (Integrated Display Technology Telecommunications (Shenzhen) Co., Ltd.)**	PRC	RMB11,000,000	Manufacture and sales of telecommunication products
Super Win Electronics Limited	Hong Kong	HK\$2	Manufacture of telecommunication products
IDT Communication Technology Limited	Hong Kong	HK\$2	Trading of telecommunication products
Tekom Industries Limited	Hong Kong	HK\$10,000	Trading of telecommunication products
Sales and distribution business			
Oregon Scientific Asia Pacific Limited	Hong Kong	HK\$2	Marketing and distribution of consumer electronic products
Oregon Scientific Australia Pty Limited	Australia	A\$6,010,000	Marketing and distribution of consumer electronic products
Oregon Scientific Brasil Ltda	Brazil	BRL120,000	Marketing and distribution of consumer electronic products
Oregon Scientific (Deutschland) GmbH	Germany	DM2,550,000	Marketing and distribution of consumer electronic products
Oregon Scientific France S.A.R.L.	France	EUR3,500,000	Marketing and distribution of consumer electronic products
Oregon Scientific Global Distribution Limited	Hong Kong	HK\$2	Marketing and distribution of consumer electronic products
Oregon Scientific Ibérica, S.A.	Spain	EUR300,000	Marketing and distribution of consumer electronic products
Oregon Scientific Italia S.p.A.	Italy	EUR2,156,000	Marketing and distribution of consumer electronic products
Oregon Scientific South East Asia Pte. Limited	Singapore	S\$100,000	Marketing and distribution of consumer electronic products

32. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Principal activities
Sales and distribution business (continued)			
Oregon Scientific (U.K.) Limited	United Kingdom	GBP2,400,002	Marketing and distribution of consumer electronic products
Oregon Scientific, Inc.	United States of America	US\$2,060,000	Marketing and distribution of consumer electronic products
歐西亞貿易(上海)有限公司** (Oregon Scientific Enterprise (Shanghai) Limited)	PRC	US\$1,100,000	Marketing and distribution of consumer electronic products
歐西亞商貿(北京)有限公司** (Oregon Scientific Trading (Beijing) Co. Ltd.)	PRC	US\$900,000	Marketing and distribution of consumer electronic products
IDT (Japan) Limited	Japan	JPY30,000,000	Trading of consumer electronic products
IPM Concepts Limited	Hong Kong	HK\$2	Trading of consumer electronic products
Corporate			
Integrated Display Technology Limited	Hong Kong	HK\$6,000,000	Provision of group administrative services
萬威電子科技(深圳)有限公司** IDT Electronics Technology (Shenzhen) Company Limited	PRC	US\$5,300,000	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.

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.