Notes to the Consolidated Financial Statements

For the year ended March 31, 2006

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 addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

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.

The consolidated financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after January 1, 2005, except for HKAS 40 "Investment property" which had been early adopted by the Group for the year ended March 31, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations". The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to April 1, 2001 was held in reserves, and goodwill arising on acquisitions after April 1, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$10. 8 million has been transferred to the Group's revenue reserve on April 1, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group on April 1, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$2. 2 million with a corresponding decrease in the cost of goodwill (see note 17). The Group has discontinued amortising such goodwill from April 1, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after January 1, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

In the current year, the Group has also applied HKAS 21 "The effects of changes in foreign exchange rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to April 1, 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill (continued)

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to April 1, 2001 was held in reserves, and negative goodwill arising on acquisitions after April 1, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill of HK$17. 7 million which was previously recorded in reserves on April 1, 2005. A corresponding adjustment to the Group's revenue reserve of HK$17. 7 million has been made.

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share–based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after April 1, 2005. In relation to share options granted before April 1, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before November 7, 2002 and vested before April 1, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after November 7, 2002 and had not yet vested on April 1, 2005. Comparative figures have been restated (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost or revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after January 1, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From April 1, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice ("SSAP") 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Derivatives

Prior to April 1, 2005, the Group recognised non-speculative forward contract on consolidated balance sheet in accordance with SSAP 11 "Foreign currency translation". The forward asset represents the foreign currency amount of the contract multiplied by the difference between the spot rate at the balance sheet date and the forward rate. Gain or loss is included in the consolidated income statement.

From April 1, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non–derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. In respect of derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from April 1, 2005 onwards, deemed such derivatives as held for trading (see note 3 for the financial impact). The adoption of HKAS 39 has had no material effect on how the results for the prior accounting years are prepared and presented.

3. **SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES**

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2006 HK$'M	2005 HK$'M
Non-amortisation of goodwill	1.9	–
Recognition of share-based payments as expenses	(0.7)	(0.4)
Net losses arising from changes in fair value of forward liabilities	(0.2)	–
Decrease in loss (profit) and decrease (increase) in administrative expenses for the year	1.0	(0.4)

The cumulative effects of the application of the new HKFRSs as at March 31, 2005 and April 1, 2005 are summarised below:

	As at 3. 31. 2005 (originally stated) HK$'M	Adjustments HK$'M	As at 3. 31. 2005 (restated) HK$'M	Adjustments HK$'M	As at 4. 1. 2005 (restated) HK$'M
Balance sheet items					
Impact of HKAS 32 and HKAS 39:					
Forward assets	–	–	–	15.3	15.3
Trade and other payables	(406.2)	–	(406.2)	(15.3)	(421.5)
Total effects on assets and liabilities	(406.2)	–	(406.2)	–	(406.2)
Revenue reserve	869.2	(0.5)	868.7	6.9	875.6
Capital reserve	6.9	–	6.9	(6.9)	–
Share options reserve	–	0.5	0.5	–	0.5
Minority interests	–	276.1	276.1	–	276.1
Total effects on equity	876.1	276.1	1,152.2	–	1,152.2
Minority interests	276.1	(276.1)	–	–	–

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The financial effects of the application of the new HKFRSs to the Group's equity on April 1, 2004 are summarised below:

	As originally stated HK$'M	Adjustments HK$'M	As restated HK$'M
Revenue reserve	926.8	(0.1)	926.7
Share options reserve-recognition of equity-settled share based payment expenses	–	0.1	0.1
Minority interests	–	271.9	271.9
Total effects on equity	926.8	271.9	1,198.7

The Group has not early applied the new Standards, INTs and amendments that have been issued but are not yet effective for the current year. The Group has considered the potential impact of these Standards, INTs and amendments. The directors anticipate the application of these Standards, INTs and amendments will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] Effective for annual periods beginning on or after January 1, 2007.
[2] Effective for annual periods beginning on or after January 1, 2006.
[3] Effective for annual periods beginning on or after December 1, 2005.
[4] Effective for annual periods beginning on or after March 1, 2006.
[5] Effective for annual periods beginning on or after May 1, 2006.
[6] Effective for annual periods beginning on or after June 1, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate and explained in the accounting policies set out below.

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 or business 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, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries or businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisitions prior to April 1, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before April 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after April 1, 2001, the Group has discontinued amortisation from April 1, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after April 1, 2005

Goodwill arising on an acquisition of a subsidiary or business for which the agreement date is on or after April 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or business, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after January 1, 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

As explained in Note 2 above, all negative goodwill as at April 1, 2005 has been derecognised with a corresponding adjustment to the Group's revenue reserve.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue recognition

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

Mould construction income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss , unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or fair value less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "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. Prior to September 30, 1995, the revaluation increase arising on the revaluation of these assets was credited to the properties 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 properties revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to revenue reserve.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

The cost of freehold land is not amortised while the cost or fair value of leasehold land (where the lease payments cannot be allocated reliably between the land and building elements) is amortised over the remaining period of the lease using the straight line method.

The cost or fair value 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 in the manner of intended 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 over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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 subsequent accumulated amortisation and any accumulated impairment loss. Amortisation is calculated on a straight line basis over its estimated useful economic life.

Inventories

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

Impairment losses (other than goodwill (see the accounting policy in respect of goodwill above))

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The accounting policies adopted are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including long–term bank deposits, bank balances and trade and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified as financial liabilities other than financial liabilities at fair value through profit or loss. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including short-term bank loans, trade and other payables, bills payables and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments (continued)

Derivatives that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i. e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

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 profit as reported in the consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 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.

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 profits 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 consolidated 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.

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i. e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i. e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after April 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

As mentioned in Note 2, goodwill and fair value adjustments arising on acquisitions of foreign operations prior to April 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Share-based payments

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to revenue reserve.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

Recoverability of intangible asset

During the year, management reconsidered the recoverability of its intangible asset arising from the Group's product development, which is included in its consolidated balance sheet at March 31, 2006 at HK$86. 3 million. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused management to reconsider its assumptions regarding future market share and anticipated margins on these products. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. As at March 31, 2006, the carrying amount of goodwill was HK$33.6 million. Details of the recoverable amount calculated are disclosed in note 17. Changes in estimation of the value in use would materially affect the carrying amounts of goodwill in the consolidated balance sheet and might give rise to impairment loss recognised in respect of goodwill in the consolidated income statement.

Allowance on inventories

Note 4 describes that inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and marketing, selling and distribution expenses.

The Group has the operational procedures to put in place to monitor the risk of inventories as majority of working capital is devoted to inventories and the nature of inventories are subject to frequent technological changes. The management reviews the usage of inventory on a periodic basis for those inventories. This involves comparing the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for obsolete and slow-moving inventories has been made in the consolidated financial statements.

Income taxes

At March 31, 2006, deferred tax assets of HK$80.5 million (2005: HK$78.8 million) in relation to unutilised tax losses and unrealised profits on inventories has been recognised in the Group's balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are lessor more than expected, a reversal or further recognition of deferred tax assets may arise, which would be recognised in profit and loss for the period in which such a reversal or recognition takes place.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, long-term bank deposits, bank balances and cash, trade and other payables, bills payables, forward liabilities, short-term bank loans and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency transactions, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contracts are entered into in respect of highly probable foreign currency forecasted transactions in accordance with the Group's risk management policies.

Credit risk

The Group's financial assets are trade and other receivables, long–term bank deposits and bank balances, the amounts of those assets stated in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk in relation to trade and other receivables, the management of the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk in relation to long-term bank deposits and bank balances is limited because the majority of the counterparties are financial institutions and banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable–rate bank deposits (see note 18 and 22) and bank borrowings (see note 26). The Group currently does not have hedging policy in respect of the interest rate risk. However, management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arises.

7. 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, 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
Telecommunication 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

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

7. 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	Digital media products HK$'M	Electronic learning products HK$'M	Other consumer electronic products HK$'M	Total HK$'M
Year ended March 31, 2006						
TURNOVER						
Branded sales	687.3	76.8	201.2	467.5	10.6	1,443.4
OEM/ODM sales	307.3	217.5	137.6	265.8	0.6	928.8
Total	994.6	294.3	338.8	733.3	11.2	2,372.2
RESULTS						
Segment results	(9.0)	(45.4)	(198.1)	35.4	8.9	(208.2)
Interest income						5.1
Unallocated corporate expense						(17.4)
Unallocated corporate income						3.2
Finance costs						(24.2)
Loss before taxation						(241.5)
Taxation						(5.8)
Loss for the year						(247.3)
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 expense						(5.4)
Unallocated corporate income						10.5
Finance costs						(12.9)
Profit before taxation						187.1
Taxation						(0.5)
Profit for the year						186.6

7. 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	Digital media products HK$'M	Electronic learning products HK$'M	Other consumer electronic products HK$'M	Total HK$'M
At March 31, 2006						
ASSETS						
Segment assets	464.9	248.8	144.8	256.9	5.9	1,121.3
Unallocated corporate assets						863.1
Consolidated total assets						1,984.4
LIABILITIES						
Segment liabilities	125.7	86.7	37.4	112.0	1.4	363.2
Unallocated corporate liabilities						549.3
Consolidated total liabilities						912.5
At March 31, 2005						
ASSETS						
Segment assets	688.3	230.4	316.8	283.6	6.0	1,525.1
Unallocated corporate assets						806.3
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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(A) Business segments (continued)

(iii) Other information

	LCD consumer electronic products HK$'M	Tele-communication products HK$'M	Digital media products HK$'M	Electronic learning products HK$'M	Other consumer electronic products HK$'M	Total HK$'M
Year ended March 31, 2006						
Capital additions						
– property, plant and equipment						
– business segments	21.2	7.8	8.5	13.2	0.3	51.0
– unallocated corporate items						15.8
– product development costs	11.3	24.3	4.5	18.1	–	58.2
– patents and trademarks						
– unallocated corporate items						3.6
Depreciation and amortisation						
– property, plant and equipment						
– business segments	29.7	13.8	7.5	10.3	0.2	61.5
– unallocated corporate items						4.7
– intangible assets	14.5	10.5	11.0	12.1	–	48.1
Loss on disposal of investment properties – unallocated corporate items						2.9
Loss on disposal of property, plant and equipment						
– business segments	5.2	0.7	1.8	1.1	–	8.8
– unallocated corporate items						0.7
Write-off of product development costs	–	4.6	–	1.4	–	6.0
Write down of inventories	3.0	–	10.7	–	–	13.7

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(A) Business segments (continued)

(iii) Other information (continued)

	LCD consumer electronic products HK$'M	Tele-communication products HK$'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

7. **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	
	2006	2005
	HK$'M	HK$'M
Americas	**996.5**	1,083.9
Europe	**926.5**	1,089.8
Asia Pacific	**449.2**	721.0
	2,372.2	2,894.7

(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		Capital additions	
	2006	2005	**2006**	2005
	HK$'M	HK$'M	**HK$'M**	HK$'M
Hong Kong and other parts of the PRC	**1,359.4**	1,430.6	**100.1**	135.5
Europe	**319.5**	552.3	**9.4**	7.9
Americas	**192.1**	224.2	**16.0**	6.8
Other Far East countries	**32.9**	45.5	**3.1**	2.7
	1,903.9	2,252.6	**128.6**	152.9
Unallocated assets	**80.5**	78.8	**–**	–
	1,984.4	2,331.4	**128.6**	152.9

8. **(LOSS) PROFIT BEFORE TAXATION**

	2006 HK$'M	2005 HK$'M
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 9)*	14.3	19.1
Other staff's retirement benefits scheme contributions, net of forfeited contributions of HK$3.0 million (2005: HK$0.1 million)	14.9	16.4
Other staff's share option benefits expenses	0.4	0.3
Other staff costs	485.7	507.7
	515.3	543.5
Less: Staff costs capitalised in product development costs	(43.3)	(34.6)
Staff costs included in research and development costs	(21.3)	(22.5)
	450.7	486.4
Amortisation of goodwill included in administrative expenses	–	1.1
Amortisation of product development costs included in research and development costs	47.7	37.8
Amortisation of patents and trademarks included in research and development costs	0.4	–
Auditors' remuneration	5.4	4.3
Depreciation and amortisation of property, plant and equipment		
– held under finance leases	0.2	0.3
– owned by the Group	66.0	64.9
Loss arising from change in fair value of forward liabilities	0.2	–
Loss from disposal of investment properties	2.9	–
Loss on disposal of property, plant and equipment	9.5	2.9
Operating lease rentals in respect of		
– office equipment and motor vehicles	1.1	2.3
– rented premises	47.7	40.4
Write down of inventories	13.7	–
Write-off of product development costs included in research and development costs	6.0	9.7
and after crediting:		
Exchange gains	1.3	0.7
Gain on deemed partial disposal of a subsidiary	0.2	0.8
Gain arising from changes in fair value of investment properties	–	8.4
Interest income	5.1	15.0
Mould construction income	13.9	10.2
Property rental income before deduction of negligible outgoings	0.4	0.7

Included in the above directors' remuneration were operating lease rentals of HK$0.6 million (2005: HK$1.0 million) paid in respect of accommodation provided to a director.

Included in the exchange gains were gains arising from changes in fair value of settled forward contracts of HK$50.2 million (2005: Losses on non-speculative forward contracts of HK$51.8 million).

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9. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the 11 directors were as follows:

	Fees HK$'M	Basic salaries and allowances HK$'M	Bonus HK$'M (note)	Retirement benefits scheme contributions HK$'M	Consulting fee HK$'M	Share option benefits expenses HK$'M	Total HK$'M
Year ended March 31, 2006							
Executive directors:							
Dr. Raymond Chan	0.2	4.2	–	0.2	–	0.1	4.7
Mr. Alain Jacques Gilbert Li	0.1	2.2	–	–	–	–	2.3
Mrs. Chan Pau Shiu Yeng, Shirley	0.2	2.0	–	0.1	–	0.1	2.4
Mr. Giuseppe Finocchiaro	–	2.2	–	0.4	–	–	2.6
Non-executive directors:							
Mr. Jack William Edouard Heuer	0.1	–	–	–	–	–	0.1
Prof. Woo Chia Wei	0.2	–	–	–	–	–	0.2
Independent non-executive directors:							
Mr. Lo Kai Yiu, Anthony	0.4	–	–	–	–	–	0.4
Mr. Kao Ying Lun	0.3	–	–	–	–	–	0.3
Mr. Jack Schmuckli	0.3	–	–	–	0.5	0.1	0.9
Dr. Kenichi Ohmae	0.2	–	–	–	–	–	0.2
Prof. Yoram (Jerry) Wind	0.2	–	–	–	–	–	0.2
	2.2	10.6	–	0.7	0.5	0.3	14.3
Year ended March 31, 2005							
Executive directors:							
Dr. Raymond Chan	0.2	4.3	–	0.2	–	–	4.7
Mr. Alain Jacques Gilbert Li	0.1	3.6	–	–	–	–	3.7
Mrs. Chan Pau Shiu Yeng, Shirley	0.1	2.1	–	0.1	–	–	2.3
Mr. Giuseppe Finocchiaro	0.1	3.0	–	0.7	–	0.1	3.9
Mr. Shigenobu Morita	–	1.9	0.3	0.1	–	–	2.3
Non-executive directors:							
Mr. Jack William Edouard Heuer	0.2	–	–	–	0.3	–	0.5
Prof. Woo Chia Wei	0.2	–	–	–	–	–	0.2
Independent non-executive directors:							
Mr. Lo Kai Yiu, Anthony	0.4	–	–	–	–	–	0.4
Mr. Kao Ying Lun	0.2	–	–	–	–	–	0.2
Mr. Jack Schmuckli	0.2	–	–	–	0.5	–	0.7
Dr. Kenichi Ohmae	0.2	–	–	–	–	–	0.2
Prof. Yoram (Jerry) Wind	–	–	–	–	–	–	–
	1.9	14.9	0.3	1.1	0.8	0.1	19.1

Note: Bonus is determined having regard to the performance of individuals and market trends.

None of the directors has waived any emoluments during the year.

10. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest individuals included one (2005: four) executive directors of the Company, whose emoluments are included in note 9 above. The emoluments of the remaining highest paid individual are as follows:

	2006 HK$'M	2005 HK$'M
Basic salaries and allowances	8.1	3.5
Bonus	2.1	–
Retirement benefits scheme contributions	1.4	–
	11.6	3.5

The emoluments of the employees were within the following bands:

	Number of employees	
	2006	2005
HK$2,500,001 to HK$3,000,000	2	–
HK$3,000,001 to HK$3,500,000	2	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.

11. TAXATION

	2006 HK$'M	2005 HK$'M
The charge comprises:		
Taxation of the Company and its subsidiaries:		
Hong Kong Profits Tax		
– current year	(14.0)	(24.2)
– overprovision in prior years	0.1	–
Tax in other jurisdictions		
– current year	(0.6)	(2.5)
– over(under)provision in prior years	0.3	(2.9)
	(14.2)	(29.6)
Deferred taxation	8.4	29.1
	(5.8)	(0.5)

11. TAXATION (continued)

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year.

Taxation in other jurisdictions 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.

With regard to the protective assessments (the "Protective Assessments") relating to years of assessment from 1999/00 to 2003/04 that were raised to one of the Group's subsidiaries on its offshore tax claim, the Group, with the advice from its tax advisor, is in the negotiation process with the Hong Kong Inland Revenue Department (the "HKIRD"). The directors have been advised by its tax advisor, based on the subsidiary's current mode of operation, the HKIRD should conclude that no profits tax is in fact payable by the subsidiary in question and no provision for profits tax in respect of the Protective Assessments will be necessary. No provision for Hong Kong Profits Tax had been made in the consolidated financial statements of the Group for the year in respect of the Protective Assessments. The Group cannot predict when this issue will be resolved and further announcement will be made once an appropriate basis of settlement has been agreed with the HKIRD and the extent of tax liability has become transpired.

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

	2006		2005	
	HK$'M	%	HK$'M	%
(Loss) profit before taxation	**(241.5)**		187.1	
Tax at the domestic income tax rate	**42.3**	**17.5**	(32.7)	(17.5)
Tax effect of expenses not deductible for tax purposes	**(8.6)**	**(3.5)**	(6.2)	(3.3)
Tax effect of income not taxable for tax purposes	**2.8**	**1.2**	8.3	4.4
Tax effect of tax losses not recognised	**(26.1)**	**(10.8)**	(7.0)	(3.7)
Utilisation of tax losses previously not recognised	**7.6**	**3.1**	5.2	2.8
Tax effect of recognising tax losses previously not recognised	**–**	**–**	10.4	5.5
Reversal of tax effect of tax losses previously recognised	**(14.4)**	**(5.9)**	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(11.8)**	**(4.9)**	18.6	9.9
Income tax on concessionary rates	**0.6**	**0.2**	2.0	1.1
Over(under)provision in prior years	**0.4**	**0.2**	(2.9)	(1.5)
Others	**1.4**	**0.5**	3.8	2.0
Tax charge and effective tax rate for the year	**(5.8)**	**(2.4)**	(0.5)	(0.3)

12. DIVIDENDS

	2006 HK$'M	2005 HK$'M
Interim dividend in 2005 of 3.0 HK cents per share	–	62.6
Proposed final dividend in 2005 of 5.0 HK cents per share	–	104.2
Additional final dividend for the prior year due to exercise of share options	–	0.1
	–	166.9

No dividend was proposed during 2006.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the equity holders of the Company for the year is based on the following data:

	2006 HK$'M	2005 HK$'M (Restated)
(Loss) earnings:		
(Loss) profit attributable to the equity holders of the Company and (loss) earnings for the purposes of basic earnings per share	**(263.4)**	129.6
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)
(Loss) earnings for the purposes of diluted earnings per share	**(263.4)**	129.5

Number of ordinary shares:

	2006	2005 (Restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,085,116,318**	2,084,417,430
Effect of dilutive potential ordinary shares – share options	**N/A**	3,099,189
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**N/A**	2,087,516,619

13. (LOSS) EARNINGS PER SHARE (continued)

The following table summarises the impact on loss (earnings) per share as a result of changes in accounting policies:

	Impact on basic (loss) earnings per share		Impact on diluted (loss) earnings per share	
	2006	2005	**2006**	2005
	HK cents	HK cents	**HK cents**	HK cents
Figures before adjustments	**(12.68)**	6.24	**N/A**	6.23
Adjustments arising from changes in accounting policies *(see note 3)*	**0.05**	(0.02)	**N/A**	(0.02)
Reported/restated	**(12.63)**	6.22	**N/A**	6.21

The computation of diluted loss per share in 2006 does not assume the exercise of the Company's share options since their conversion would result in a decrease in loss per share.

14. INVESTMENT PROPERTIES

	HK$'M
FAIR VALUE	
At April 1, 2004	6.4
Net increase in fair value recognised in the consolidated income statement	8.4
At March 31, 2005	14.8
Disposal	(14.8)
At March 31, 2006	–

The investment properties which were situated in Hong Kong were held under medium-term leases.

15. 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
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
Currency realignment	(1.5)	(3.3)	(0.2)	–	–	(5.0)
Additions	–	41.0	–	20.5	5.3	66.8
Reclassified from property held for resale	1.6	–	–	–	–	1.6
Disposals	–	(17.6)	(2.3)	(34.9)	–	(54.8)
At March 31, 2006	73.7	312.6	9.2	300.1	21.4	717.0
Comprising:						
At cost	16.3	312.6	9.2	300.1	21.4	659.6
At valuation						
– 1993	49.3	–	–	–	–	49.3
– 1994	8.1	–	–	–	–	8.1
	73.7	312.6	9.2	300.1	21.4	717.0
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
Currency realignment	(0.6)	(2.4)	(0.1)	–	–	(3.1)
Provided for the year	6.0	29.8	1.1	29.3	–	66.2
Eliminated on disposals	–	(14.0)	(2.1)	(27.5)	–	(43.6)
At March 31, 2006	30.3	185.4	5.5	188.7	–	409.9
CARRYING VALUES						
At March 31, 2006	43.4	127.2	3.7	111.4	21.4	307.1
At March 31, 2005	48.7	120.5	5.1	127.6	16.1	318.0

Owner-occupied leasehold land is included in property, plant and equipment because the allocation between the land portion and building portion cannot be made reliably.

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15. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying value of the Group's property interests comprise:

	2006 HK$'M	2005 HK$'M
Freehold properties situated outside Hong Kong	**8.4**	13.7
Properties held under medium–term leases in Hong Kong	**33.4**	35.0
Property held under a long–term lease in the PRC	**1.6**	–
	43.4	48.7

If the Group's land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and amortisation of HK$20.3 million (2005: HK$26.0 million).

At the balance sheet date, the carrying value of property, plant and equipment held under finance leases was HK$0.3 million (2005: HK$0.2 million).

16. INTANGIBLE ASSETS

	Product development costs HK$'M	Patents and trademarks HK$'M	Total HK$'M
COST			
At April 1, 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
Additions	58.2	3.6	61.8
Write-off	(7.2)	–	(7.2)
At March 31, 2006	267.7	5.3	273.0
AMORTISATION			
At April 1, 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
Amortised for the year	47.7	0.4	48.1
Eliminated on write-off	(1.2)	–	(1.2)
At March 31, 2006	181.4	2.1	183.5
CARRYING VALUES			
At March 31, 2006	86.3	3.2	89.5
At March 31, 2005	81.8	–	81.8

The above intangible assets which have finite useful lives are amortised on a straight line basis over the following periods:

Product development cost	2 years
Patents and trademarks	10 years

17. GOODWILL

	HK$'M
COST	
At April 1, 2004	19.1
Arising on deemed acquisition of additional interest in a subsidiary	9.5
At March 31, 2005	28.6
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 3)*	(2.2)
Arising on deemed acquisition of additional interest in a subsidiary	3.7
Arising on purchase of business	3.5
At March 31, 2006	33.6
AMORTISATION	
At April 1, 2004	1.1
Amortised for the year	1.1
At March 31, 2005	2.2
Elimination of accumulated amortisation upon the application of HKFRS 3 *(see note 3)*	(2.2)
At March 31, 2006	–
CARRYING VALUE	
At March 31, 2006	33.6
At March 31, 2005	26.4

Until March 31, 2005 goodwill had been amortised on a straight line basis over its estimated useful economic life of 20 years.

For the purpose of impairment review, goodwill set out above is allocated to two individual cash generating units ("CGUs"): LCD consumer electronic products unit and telecommunications products unit.

The carrying amount of goodwill as at March 31, 2006 allocated to these units are as follows:

	HK$'M
LCD consumer electronic products unit ("CGU A")	17.3
Telecommunications products unit ("CGU B")	16.3
	33.6

During the year ended March 31, 2006, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The recoverable amounts of the CGU A and CGU B have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management for the next year and extrapolates cash flows for the following four years based on a steady growth rate plus a terminal value, and discount rate of 11%. Management estimates discount rates using a risk-free-rate, the market return and company specific factors. The steady growth rates of 10% and 15% are used for CGU A and CGU B respectively, which are based on the estimation on the historical annual growth rates of respective CGU. Changes in the selling prices and direct costs are based on past practices and expectations of future changes in the market.

18. LONG–TERM BANK DEPOSITS

	2006 HK$'M	2005 HK$'M
Deposits placed with		
– AAA-rated* institution	**156.0**	156.0
– AA1-rated* institution	**117.0**	140.4
	273.0	296.4

* *According to Moody's Investors Service.*

The long–term deposits comprise:

			Carrying amount	
Principal amount	**Maturity date**	**Effective interest rate**	**2006 HK$'M**	**2005 HK$'M**
US$15 million	May 14, 2008	2.576%	**117.0**	117.0
US$10 million	July 31, 2008	1.884%	**78.0**	78.0
US$5 million	August 4, 2008	2.163%	**39.0**	39.0
US$5 million	August 6, 2008	1.939%	**39.0**	39.0
US$3 million	August 27, 2013	5.100%	**–**	23.4
			273.0	296.4

The balance represents US dollar denominated high-yield deposits placed with financial institutions with a tenor of ten years or less. The interest yield is linked to changes in London Inter-Bank Offered Rate ("LIBOR"). Deposits may not yield any interest if LIBOR is not within a specified range.

The fair value of the Group's long-term bank deposits as at March 31, 2006 was HK$248.3 million which was determined based on the market value provided by banks at the balance sheet date.

19. 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
At April 1, 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
Currency realignment	–	–	–	(0.2)	–	(0.2)	(0.4)
Credit (charge) to income for the year	1.5	0.1	–	24.9	(14.7)	(3.4)	8.4
At March 31, 2006	(11.6)	(13.7)	(5.9)	68.0	22.2	–	59.0

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:

	2006 HK$'M	2005 HK$'M
Deferred tax assets	**80.5**	78.8
Deferred tax liabilities	**(21.5)**	(27.8)
	59.0	51.0

By reference to financial budgets, management believes that there will be sufficient future profits or taxable temporary differences available in the future for the realisation of the deferred tax assets.

At the balance sheet date, the Group has unutilised tax losses of HK$593.8 million (2005: HK$262.6 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$386.7 million (2005: HK$158.1 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$207.1 million (2005: HK$104.5 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK$22.5 million (2005: HK$19.4 million) that will expire in the years of 2007 to 2011. Other losses may be carried forward indefinitely.

20. INVENTORIES

	2006 HK$'M	2005 HK$'M
Raw materials	119.9	128.8
Work in progress	38.1	60.2
Finished goods	290.6	545.5
	448.6	734.5

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.

	2006 HK$'M	2005 HK$'M
The following is an aged analysis of trade receivables at the balance sheet date:		
Not yet due	217.5	287.9
Overdue less than 30 days	17.8	32.4
Overdue 31 to 90 days	22.4	19.8
Overdue more than 90 days	6.2	12.5
	263.9	352.6
Other receivables	92.9	108.6
	356.8	461.2

The Group's trade receivables that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	RMB HK$'M	US Dollars HK$'M	Euro Dollars HK$'M
As at March 31, 2006	1.8	84.8	3.1
As at March 31, 2005	0.9	140.4	13.9

The fair value of the Group's trade and other receivables at March 31, 2006 was approximate to the corresponding carrying amount.

22. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carried at prevailing market interest rate for a range of 0.5% to 4.6% per annum. The fair value of the Group's bank balances and cash at March 31, 2006 was approximate to the corresponding carrying amount.

23. TRADE AND OTHER PAYABLES

	2006 HK$'M	2005 HK$'M
The following is an aged analysis of trade payables at the balance sheet date:		
Not yet due	**84.6**	140.9
Overdue less than 30 days	**40.4**	50.6
Overdue 31 to 90 days	**17.3**	6.5
Overdue more than 90 days	**12.6**	6.8
	154.9	204.8
Other payables	**215.0**	201.4
	369.9	406.2

The Group's trade payables that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	JPY HK$'M	RMB HK$'M	US Dollars HK$'M	Euro Dollars HK$'M
As at March 31, 2006	0.8	1.5	54.5	0.5
As at March 31, 2005	1.3	2.8	101.0	0.3

The fair value of the Group's trade and other payables at March 31, 2006 approximates to the corresponding carrying amount.

Notes to the Consolidated Financial Statements

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24. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The lease term is in the range of a period of 2 to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5% to 12%. These leases have no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'M	2005 HK$'M	2006 HK$'M	2005 HK$'M
Amount payable under finance leases:				
Within one year	0.2	0.1	0.2	0.1
Between one to two years	0.1	0.1	0.1	0.1
	0.3	0.2	0.3	0.2
Less: Future finance charges	–	–	–	–
Present value of lease obligations	0.3	0.2	0.3	0.2
Less: Amount due within one year shown under current liabilities			0.2	0.1
Amount due after one year			0.1	0.1

The fair value of the Group's finance lease obligations was determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximates to their carrying amount.

25. FORWARD LIABILITIES

	2006 HK$'M	2005 HK$'M
Forward foreign exchange contracts	0.2	–

In the current year, the Group has used currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At March 31, 2006, the ranges of the total nominal amounts of the outstanding forward foreign exchange contracts to which the Group is committed are as follows:

Notional amount	Maturity	Exchange rates
Sell Euro 3,299,687 to 11,300,000	April 3, 2006 to April 20, 2006	USD/Euro 1.2035 to 1.2167
Sell GBP 362,819 to 3,500,000	April 3, 2006 to May 17, 2006	USD/GBP 1.7451 to 1.7540
Sell AUD 1,702,200 to 3,472,000	April 10, 2006 to April 27, 2006	USD/AUD 0.7168 to 0.7338

At March 31, 2006, the fair value of the Group's currency derivatives is estimated to be HK$0.2 million. These amounts are based on quoted market prices provided by financial institutions and banks for equivalent instruments at the balance sheet date.

Changes in the fair value of non-hedging currency derivatives amounting to HK$0.2 million have been charged to consolidated income statement in the year.

The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the transaction of its foreign operations.

26. SHORT-TERM BANK LOANS

The bank loans are unsecured, repayable within one year and are denominated in functional currencies of Hong Kong Dollars and US Dollars. They carry interest rate at Hong Kong Interbank Offered Rate plus 0.5% to 1% and Singapore Interbank Offered Rate plus 0.75% per annum for both years. The fair value of the bank loans was approximate to the corresponding carrying amount.

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are ranged from 1.5% to 7.5% (2005: 0.7% to 6.6%).

27. OTHER FINANCIAL LIABILITIES

The bills payables are aged within 3 months.

The bank overdrafts carry interest rate at 5.65% per annum for both years.

The fair values of the Group's bills payables and bank overdrafts at March 31, 2006 were approximate to their corresponding carrying amounts.

28. SHARE CAPITAL

	Number of shares	Amount HK$'M
Authorised:		
At April 1, 2004, March 31, 2005 and March 31, 2006		
– 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, 2004	2,082,449,907	208.2
– exercise of share options	2,276,000	0.3
– at March 31, 2005	2,084,725,907	208.5
– exercise of share options	500,000	–
– at March 31, 2006	2,085,225,907	208.5

During the year, 500,000 share options were exercised at a subscription price of HK$0.73 per share, resulting in aggregate the issue of 500,000 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.

29. 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.

At March 31, 2006, the number of shares in respect of which options had been granted and remained outstanding under this scheme was 1,050,000 (2005: 1,050,000), representing 0.05% (2005: 0.05%) of the shares of the Company in issue at that date. 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.

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 vesting period of the share option is from the date of grant until the commencement of the exercise period.

29. 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, 2006 and the balances at March 31, 2006 are set out below:

				Number of share options			
Participants	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 4.1.2005	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2006
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	525,000	–	–	525,000
				1,050,000	–	–	1,050,000
Exercisable at the end of the year							1,050,000
Weighted average exercise price				HK$0.509	–	–	HK$0.509

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:

				Number of share options			
Participants	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 4.1.2004	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2005
Directors	4.11.2002	4.11.2004 to 4.10.2007	0.655	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
Exercisable at the end of the year							1,050,000
Weighted average exercise price				HK$0.579	HK$0.651	HK$0.509	HK$0.509

29. SHARE OPTION SCHEMES (continued)

(A) 1993 IDT International Option Scheme (continued)

During the year, no share option was exercised or granted.

All options were granted on or before November 7, 2002 and vested before April 1, 2005. Therefore, no share–based payments were recognised during both years.

In respect of the share options exercised in 2005, the weighted average share price at the date of exercise is ranging from HK$1.74 to HK$1.81.

(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 offered to grant options to selected eligible participants, including full-time employees and full-time executive directors of the Company or employees or any of its subsidiaries.

At March 31, 2006, the number of shares in respect of which options had been granted and remained outstanding under this scheme was 36,850,000 (2005: 6,670,000), representing 1.8% (2005: 0.3%) of the shares of the Company in issue at that date.

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.

29. SHARE OPTION SCHEMES (continued)

(B) 2002 IDT International Option Scheme (continued)

The vesting period of the share option is from the date of grant until the commencement of the exercise period.

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, 2006 and the balances at March 31, 2006 are set out below:

				Number of share options				
Participants	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 4.1.2005	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2006
Directors	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	–
	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	–
	6.25.2004	6.26.2005 to 6.25.2014	1.810	170,000	–	–	170,000	–
	11.30.2005	12.1.2006 to 11.30.2015	0.550	–	11,000,000	–	–	11,000,000
Employees	8.30.2002	8.30.2004 to 8.29.2012	0.730	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
	11.28.2005	11.29.2006 to 11.28.2015	0.570	–	2,650,000	–	200,000	2,450,000
	11.28.2005	11.29.2007 to 11.28.2015	0.570	–	12,175,000	–	750,000	11,425,000
	11.28.2005	11.29.2008 to 11.28.2015	0.570	–	9,525,000	–	550,000	8,975,000
				6,670,000	35,350,000	500,000	4,670,000	36,850,000
Exercisable at the end of the year								750,000
Weighted average exercise price				HK$1.245	HK$0.564	HK$0.730	HK$0.796	HK$0.655

29. 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	Exercisable period	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	6,670,000
Exercisable at the end of the year								2,500,000
Weighted average exercise price				HK$0.812	HK$1.861	HK$0.762	HK$0.783	HK$1.245

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK$1.10 (2005: ranging from HK$1.79 to HK$1.84).

29. SHARE OPTION SCHEMES (continued)

(B) 2002 IDT International Option Scheme (continued)

During the year ended March 31, 2006, options were granted on November 28, 2005 and November 30, 2005. The estimated fair values of the options granted on those dates are HK$0.11. During the year ended March 31, 2005, options were granted on June 25, 2004, July 5, 2004, October 7, 2004 and November 12, 2004. The estimated fair values of the options granted on those dates are HK$0.34, HK$0.34, HK$0.34 and HK$0.30 respectively.

The Company has used the Black-Scholes option pricing model (the "Model") to value the share options granted during the year. The Model is one of the commonly used models to estimate the fair value of the option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Details of the fair values of share options determined at the date of grant using the Model with the inputs are as follows:

	2006	2005
Weighted average share price	HK$0.564	HK$1.823
Exercise price	HK$0.55 to HK$0.57	HK$1.81 to HK$1.88
Expected volatility	40.83%	40.83%
Expected life	4 years	4 years
Risk–free rate	2.32% – 4.30%	2.32% – 4.30%
Expected dividend yield	8.03%	8.03%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$0.7 million for the year ended March 31, 2006 (2005: HK$0.4 million) in relation to share options granted by the Company.

29. 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.

At March 31, 2006, the number of shares in respect of which options had been granted and remained outstanding under this scheme was nil (2005: 1,445,000, representing 0.1% of the shares of the Company in issue at that date).

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.

The vesting period of the scheme option is from the date of grant until the commencement of the exercise period.

29. 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, 2006 and the balances at March 31, 2006 are set out below:

				Number of share options			
Participants	Date of grant	Exercisable period	Exercise price per share S$	Outstanding at 4.1.2005	Exercised during the year	Lapsed/ cancelled during the year	Outstanding at 3.31.2006
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	–
Employees	8.14.2000	8.15.2002 to 8.13.2005	2.149	507,500	35,000	472,500	–
	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	507,500	–	507,500	–
	1.12.2001	1.13.2005 to 1.11.2006	1.424	30,000	30,000	–	–
				1,445,000	65,000	1,380,000	–
Exercisable at the end of the year							–
Weighted average exercise price				S$2.134	S$1.814	S$2.149	–

In respect of the share options exercised during the year, the weighted average share price at the date of exercise is S$2.44 (2005: ranging from S$2.43 to S$2.45).

During the year, no share options was granted.

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:

				Number of share options			
Participants	Date of grant	Exercisable period	Exercise price per share S$	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
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
Exercisable at the end of the year							1,445,000
Weighted average exercise price				S$2.136	S$2.149	S$2.149	S$2.134

All options were granted on or before November 7, 2002 and vested before January 1, 2005. Therefore, no share–based payments were recognised during both years.

30. PURCHASE OF BUSINESS

On May 9, 2005, the Group acquired the retail business of a shop located in Rome, Italy (the "Business") from third party for a cash consideration of HK$3.5 million which represents the goodwill attributable to the anticipated profitability of the Business. This acquisition has been accounted for using the purchased method.

The Business contributed HK$1.9 million of turnover and HK$0.8 million to the Group's loss before taxation for the period between the date of purchase and the balance sheet date.

There would have no significant difference to the Group's turnover and loss for the year if the purchase had been completed on April 1, 2005.

31. 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$0.2 million (2005: Nil).

32. OPERATING LEASE COMMITMENTS

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:

	2006 HK$'M	2005 HK$'M
Office equipment and motor vehicles		
Within one year	1.3	1.8
In the second to fifth year inclusive	1.2	2.7
	2.5	4.5
Rented premises		
Within one year	38.1	36.5
In the second to fifth year inclusive	63.7	76.8
After five years	26.8	4.8
	128.6	118.1

33. CAPITAL COMMITMENTS

	2006 HK$'M	2005 HK$'M
Capital expenditure in respect of acquisition of property, plant and equipment		
– authorised but not contracted for	21.1	13.2
– contracted for but not provided in the consolidated financial statements	2.4	2.6
	23.5	15.8

34. RETIREMENT BENEFITS SCHEMES

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

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

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.

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company except for those subsidiaries within the LCD consumer electronic products business division are 64% indirectly owned by the Company, at March 31, 2006 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

35. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Principal activities
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
Telecommunication 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
Tekcom Industries Limited	Hong Kong	HK$10,000	Trading of telecommunication products

35. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued ordinary share/ registered capital	Principal activities
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 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 Iberica, 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
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) Company 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) Company Limited)**	PRC	US$900,000	Marketing and distribution of consumer electronic products

35. **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)			
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 Electronic Technology (Shenzhen) Company Limited)**	PRC	USD5,300,000	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.