

CHAIRMAN'S STATEMENT

Fellow Shareholders,

I am pleased to be able to report that the financial year ended March 31, 2001 has continued our remarkable run of year on year sales growth to twelve with the establishment of a new record of HK\$2,884.5 million. This achievement is largely due to the excellent performance of our two developing divisions – Electronic Personal Information Products and Electronic Learning Products.

For the first time, all divisions made a positive contribution to profit for the year although profit from operations was down by 19% to HK\$222.4 million. This was due essentially to the difficult market conditions in telecommunications and particularly in the US which represents over 90% of the sales of that division. Profit attributable to shareholders was HK\$132.8 million, a decrease of 62% over last year. However, last year's results benefited from non-operating income of HK\$206.9 million arising from the respective initial public offerings of I-Comm Technology Limited and Kyosha Holdings (Singapore) Limited on the Singapore Exchange Securities Trading Limited. Profit attributable to shareholders for the year, excluding non-operating income, was HK\$130.2 million, 8% lower than last year. Earnings per share were 6.6 HK cents (2000: 18.0 HK cents), which represents an average return on shareholders' funds of 13.9%.

The LCD Consumer Electronic Products ("LCD Products") division achieved a turnover of HK\$975.3 million, representing an increase of 13% from last year. The LCD Products division has benefited from the growth of the Group's "Oregon Scientific" brand, whilst it also continued to distribute under its own brand "Huger", mainly in the German market. The specification of Environmental Monitoring

Devices, which constitute about half of the division's sales, is being continuously enhanced and now includes wireless remote technology. Timing Devices continue to grow thanks to the introduction of new features and modern designs. Health Care and Sports Products enjoyed an increase of 53% following the launch of a number of new products. We see Health Care and Sports Products as offering excellent growth opportunities for the Group. The main market for LCD Products continues to be Europe, achieving more than half of the division's sales in the financial year of 2001. This only serves to highlight the potential for us to grow in the US and Asia Pacific markets.

The Telecommunication Products division faced an extremely difficult environment and has shown remarkable resilience by managing to increase unit sales in phones. However, prices were re-aligned to remain competitive due to some fierce price cutting, particularly in the US which is the division's main market. This resulted in a drop in sales in dollar terms of 19%. Telephones dominate this division and together with pagers still represented 85% of revenue. The remaining 15% which was derived from transceivers remained relatively stable. This hostile environment has contributed to the downfall of a number of market players and some are still reeling from substantial losses. The fact that the division has managed to end the year with a profit from operations of HK\$34.1 million should be viewed in a positive light. Looking to the future, the division has already taken steps to prepare for the mass commercialisation of new technologies by forging partnerships to develop wireless applications for mobile internet products. In order to give the necessary focus to the various businesses within the division, three business units have been created each focusing on a specific segment of the telecommunications market. This division is also pursuing new geographical markets for its products with the Group's own "Oregon Scientific" brand and through the Group's expanding sales and marketing network.

“ Turnover attained a new high at HK\$2,884.5 million which extends the number of years of consecutive growth of the Group since listing to twelve. ”

The Electronic Personal Information Products (“PIP”) division enjoyed a tremendous year. Sales more than doubled to reach HK\$542.4 million. A substantial project for data storage and transmission linked to the internet and dot-com wave during the year contributed to this achievement. However, sales under the “Oregon Scientific” brand also achieved a significant growth of 57%. Furthermore, the PIP division is developing digital imaging and digital voice recording products to augment the product portfolio and earning potential in this segment. Some success has already been achieved with these products with orders already placed by private label as well as “Oregon Scientific” brand label customers.

The excellent results of the Electronic Learning Products (“ELP”) division in the year have fully vindicated the Group’s decision to increase its investment last year to complement the existing activity as an Original Equipment Manufacturer (OEM) of games products. Sales reached HK\$368.6 million, an increase of 50% over last year. Based on an effective and well executed strategy, the ELP division successfully introduced and launched many novel products, including the first character driven products, safe-site.net and Smart Cards. To cap the commercial success, the newly introduced ELP products won many major toys and consumer awards, including several national “Toy of the Year” awards.

During the year, the Group made significant headway into both existing and new markets. The Group added new marketing subsidiaries in Poland (Warsaw), Nordic (Copenhagen) and Australia (Sydney), all grouped under its distribution subsidiary, Oregon Scientific Global Distribution Limited. Additional distributors in the Middle East and South Africa have also been appointed. The increased coverage achieved and the organic growth of our existing network pushed sales of the “Oregon Scientific” branded products up by 32% in the year. The Group is actively researching the South American market and plans to establish a stronger presence in late 2001.

The Group’s continued commitment to research and development (“R&D”) of new technology and applications since the creation of a Group R&D function in 2000 can be gauged from the increase in R&D spending from 3% of sales last year to approximately 4% this year. The Group currently has a team of 60 engineers in Hong Kong and has created a second R&D centre located in Shekou, the PRC. The new centre will specialise in developing digital audio and imaging technologies. The R&D group is also forging links with a number of universities and learning institutions in joint collaboration to develop new technologies and applications.

“ IDT has embarked on its Silver Jubilee year. ”

The Group’s core competence in manufacturing has been and will continue to be a central plank in the Group’s activities. The customer base that has been developed and fostered over the years has grown steadily. The Group intends to further leverage on its reputation as an excellent Original Design Manufacturer (ODM) as more and more companies seek to outsource their own production. In the year ended March 31, 2001, the Group’s manufacturing facilities were re-located to a modern facility in Xixian, Shenzhen, the PRC. The plant size was increased by 30% to support the Group’s ambitious growth plans for its ODM as well as its own branded business.

As I write, I am conscious of the fact that IDT has already embarked on its Silver Jubilee year. We are busily laying the foundations and groundwork that will take us forward for the next twenty-five years. The Group is in a stronger position than it has ever been and we are ready to face the many challenges that have been brought about by the advances in the speed of communication and the so called twenty four/seven, borderless economy.

CHAIRMAN'S STATEMENT

You will notice that the presentation format of this Annual Report has changed. I trust that you will find the new format of this Annual Report more informative. It also symbolises the need for our Group to embrace change and to challenge the future without losing sight of our past and deep rooted culture of creating products that enhance people's daily lives. It is particularly pleasing to see that within the portfolio of products of our four divisions, we can confidently say that there are products which can satisfy the needs of every potential customer in every age group. A claim that few companies can make.

On August 28, 2000, Mr. Barry John Buttifant stepped down as our director to pursue his personal interests. We would like to thank Mr. Buttifant for his excellent leadership and express our appreciation to him for his contribution to the Group.

We would like to welcome Mr. Alain Jacques Gilbert Li who was appointed on April 25, 2001 as Executive Director and Chief Financial Officer of the Company. Mr. Li is a fellow member of the Institute of Chartered Accountants in England and Wales and has a distinguished international career holding senior positions with a number of multinational groups. With his experience, we believe he has much to contribute to the Group.

Subject to approval by our shareholders at the Annual General Meeting to be held on August 28, 2001, the directors have recommended a final cash dividend of 2.5 HK cents per share for the year (2000: 5.0 HK cents per share in cash with scrip option). In addition to the interim dividend of 2.0 HK cents per share in cash with scrip option which was paid on February 6, 2001 (2000: 2.0 HK cents per share in cash), the total dividend for the year will amount to 4.5 HK cents per share (2000: 7.0 HK cents per share).

On behalf of the board of directors, we wish to thank our shareholders, customers and employees for standing together this year. While the financial year of 2001 had been a challenging one for us, we have made progress and prevailed. The new financial year of 2002 will again be competitive and equally challenging, however, with commitment and our dedicated efforts, we are confident of the Group's future advancement.



Raymond Chan

Group Chairman & Chief Executive Officer

Hong Kong
June 26, 2001