

25 Years of **Success**

a strong base for moving forward



Chairman's Statement



Raymond Chan
Group Chairman &
Chief Executive Officer

Two Brands within
one Group

**IDT &
Oregon
Scientific**

Dear Shareholders,

On behalf of the board of directors, I am pleased to present to you IDT International Limited's annual report for the year ended March 31, 2002.

During the year, IDT celebrated 25 years in business. It has been an eventful year in terms of world events and images that will stay with us forever, from the hopes and optimism brought about by China's entry into the World Trade Organisation to the despair of witnessing on live television the events of 911.

In the midst of these life-changing events, we have been working diligently to drive the business forward and strengthening our Group to meet the challenges that lie ahead with the same singular passion for developing innovative consumer electronic products which improve the quality of living that has consumed us over the last 25 years.

The Key Numbers for the Year

Our Group recorded a turnover of HK\$2,233.5 million for the year ended March 31, 2002 (2001: HK\$2,884.5 million). The drop in turnover was due essentially to two reasons. Firstly, the Telecommunication Products division suffered from continuous pricing pressure as well as delays in launching the 2.4GHz analogue phones. Secondly, in the financial year 2001, the Group had enjoyed a one-off project to manufacture a bar code reader for a dot-com start up. Although turnover was lower, profit attributable to shareholders increased by 5% to HK\$138.8 million, translating to an earnings per share of 6.7 HK cents. The increase in profit was achieved thanks to a greater contribution to sales from Oregon Scientific ("OS") which earn higher margins for the Group as well as control over our operating expenses which fall by 4% year on year. Another improvement has been in our working capital management as evidenced by our net cash and deposits at March 31, 2002 of HK\$653.0 million, an increase of HK\$247.8 million in the year.

Two Brands within one Group – IDT and Oregon Scientific

The Group is now built around two distinct businesses, each with its own unique business model, opportunities and challenges.

IDT has built a solid reputation as an ODM manufacturer and OEM supplier over the last 25 years. The brand value attached to the name IDT as a world class manufacturer is evidenced by the many global corporations who have entrusted IDT to design and manufacture products over the years and continue to do so today.

OS has become more than a name which carries our products or our network of sales and marketing offices, and is fast developing into an electronic based lifestyle oriented consumer brand gaining a high degree of recognition and consumer confidence.

IDT – We are Makers

First and foremost, I always remind my colleagues that at IDT we are makers. We love the challenge of designing and developing innovative, user friendly and practical products for our customers. It is more than our mission, it is our passion.

We are constantly investing in order to maintain our competitive edge as a manufacturer. Our new factory facility in Xixian, Shenzhen has just completed its first full year of operation and we have seen the benefits of the consolidation process. In addition, we are migrating a number of our production lines from the straight assembly line configuration to a cell-based line configuration. This allows for greater operational efficiency as well as reducing the amount of work in progress tied up in production.

We have also increased our investment in research and product development. The research and development centre established in Shekou, The People's Republic of China is being expanded and will house approximately 200 engineers by the end of year 2002. Including our existing product development capabilities in Hong Kong and Xixian, Shenzhen, the Group's research and product development resources will reach approximately 500 engineers by the end of year 2002.

The results of the four product divisions are discussed in depth in the Operations Review section of this report. In terms of turnover, our manufacturing activities achieved a turnover of HK\$1,308.7 million (excluding intra group sales). I would underline that we firmly believe that there is a significant potential for growth for all divisions organically and with the geographical expansion of the OS sales and marketing network.

During the year, the Foreign Investment Enterprise ("FIE") established last year in China for our LCD Consumer Electronic Products has commenced operation. The Group also added to the OS group of subsidiaries a new FIE to cater for manufacturing and distribution of products in China. We view this investment as being strategically important and will bring significant contribution to the Group in the future.

A Tale of Two Horses in the Year of the Horse

The OS brand, symbolised by the logo of the twin horses, continues to extend its worldwide reach. Sales of OS products grew by 10% to reach HK\$885.2 million and accounted for some 40% of the Group's turnover. The OS brand continues to sustain a prominent position in Europe. Leveraging on the European success, the Group has adapted the European success formula to the U.S. as well as other newly developing markets.

In April 2002, the latest member of the OS family of marketing subsidiaries was added with the establishment of Oregon Scientific Brasil Ltda.. The Group's decision to start an operation in Brazil came in the wake of excellent export sales in the last few years of our Electronic Learning Products.

We are also aiming to bring the OS brand back to Asia. We are investing in expanding and strengthening our China operation and distribution network. We also aim to strengthen our partnerships with our regional distributors who have the commitment to develop their local markets and the resources to invest in developing the OS brand with the full support of the Group's know-how and guidance.

The OS brand is earning a place in the hearts and minds of consumers looking for innovative consumer electronic products which improve their quality of living that are also synonymous with award winning designs.

The Group's rapid development into branded sales and marketing creates a solid base for future growth as well as value and security for its stakeholders.

Staff Development and Training

We recognise that our staff must have the necessary skills to perform their roles effectively within a culture of cooperation and mutual respect. We are committed to provide training for all of our staff, which will allow them to develop their potential and to become effective team players within their work groups.

We have introduced the Balanced Score Card system to ensure that the objectives of our staff are in line with the requirements of all our stakeholders including customers, partners and shareholders.

I would like to take this opportunity to thank our hardworking and committed staff for their contribution to our achievements in the year.

Corporate Governance

The Group has three listed member companies and one listed associated company, Kyosha Holdings (Singapore) Limited. The issue of corporate governance and transparency that has received increased public attention is one that we have long recognised as being of utmost concern to our shareholders.

We are extremely proud and honoured to have a strong board of directors who not only oversee that the Group maintains the highest standards of corporate governance but also contribute to the strategic direction of the Group drawn from their vast experience in different parts of the world as well as different industries and professions.


In August 2001, Dr. Kenichi Ohmae, a former partner in McKinsey & Company, Inc., the international management consulting firm, and co-founder of its strategic management practice, also described as "Japan's only management guru" according to the Financial Times, kindly accepted to join our board as a non-executive director. Dr. Ohmae has already made significant contributions to the Group, for example, by hosting a seminar for our top executives and sharing with us his vision for the future development of the world economies.

Most recently, we have also been privileged to welcome Professor Chia-Wei Woo as a non-executive director. Professor Woo was the founding President of the Hong Kong University of Science and Technology. He has 120 publications in various fields of physics and has also received many honours and awards for professional achievement and civic contribution. We look forward to having the benefit of Professor Woo's experience and guidance.

Dividends

Subject to approval by our shareholders at the annual general meeting of the Company to be held on August 28, 2002, the directors recommend a final dividend of 3.5 HK cents per share in cash for the year (2001: 2.5 HK cents per share in cash) and a special 25th anniversary dividend of 2.5 HK cents per share in cash. In addition to the interim dividend of 1.0 HK cent per share in cash (2001: 2.0 HK cents per share in cash with scrip option) which was paid on January 3, 2002, total dividends for the year amount to 7.0 HK cents per share (2001: 4.5 HK cents per share).

On behalf of the board of directors, I would like to thank all our stakeholders for their support throughout the year. From the early indications of the new financial year, barring unforeseen circumstances, we expect to achieve growth in both sales and profit. We continue to look into the future with optimism and confidence.



Raymond Chan

Group Chairman & Chief Executive Officer

June 18, 2002
Hong Kong