Achievements
built on solid foundations

Operations Review

(top to bottom)
Our flagship store in Milan; franchise shop in Rome; and HKEIA Award for Outstanding Innovation And Technology Products.

Solid Foundation for the Next 25 Years

The Group managed to keep growing its Oregon Scientific ("OS") branded sales through its global sales and distribution networks despite a challenging economic environment. The OS brand continues to sustain a prominent position in Europe. The Group has adapted the European success formula to the U.S. as well as newly developing markets. This will continue to create a solid base for the future business growth as well as value and security for its stakeholders.

The OEM supplier and ODM manufacturing parts of the business had a more challenging year due to the economic slowdown. However, the strength of IDT's reputation as an OEM/ODM manufacturer coupled with its customer satisfaction culture, which has been built up over the past 25 years, allowed the Group to sustain its existing customer base and cultivate new ones.

Making Improvements in Difficult Times

Whilst facing a difficult year, IDT has shown remarkable resilience in this economic downturn. The financial year ended March 31, 2002 was certainly not an easy year for many industries and economies around the world, but the Group was able to improve profitability and strengthen its balance sheet during the year.

- Turnover of the Group was HK$2,233.5 million which is HK$651.0 million lower than last year. Sales growth of 10% for the Group's OS business and 9% for the electronic learning products business were not enough to compensate for the fall in the turnover of the other businesses.

- Gross margin recorded a remarkable 7 point increase to reach 35% of sales.

- Profit from operations was HK$214.0 million, which is only marginally lower than the HK$222.4 million recorded last year despite the drop in turnover of 23%.

- The Group also exercised tight control on operating expenses which were HK$28.6 million lower compared with the previous year.

- Profit attributable to shareholders was HK$138.8 million, an increase of 5% compared with last year.

- EBITDA was HK$287.8 million compared with HK$279.8 million in financial year 2001. The EBITDA to sales ratio improved from 10% to 13%.

- Net cash balances and deposits have increased by HK$247.8 million to HK$653.0 million.

- Shareholders' funds stood at HK$1,121.7 million which is HK$65.7 million higher than last year.

- Average return on shareholders' funds decreased slightly from 12.9% to 12.7%.

This combination of improved margins and strengthened financial position has demonstrated the significance of the Group's focus on profitability and cash generation and its tight controls on working capital and operating expenses. These attributes will stand the Group in good stead for facing the challenges ahead.

Focus on Profit

Although turnover has dropped by 23% to HK$2,233.5 million due to slackening consumer demand and competitive prices, the Group managed to improve its overall gross profit margin from 28% to 35%. At the same time, net profit also increased by 5% to HK$138.8 million with net profit margin having improved from last year's 4.6% to 6.2%.

Whilst the global economic downturn was outside the control of the Group, it reacted quickly in making changes and stepping up internal controls. The improved profitability was achieved by the following factors:

- Sales of the OS branded products, which attract higher profit margins compared to the OEM/ODM business of the Group, increased by 10%. This was made possible due to the Group's continued investments in expanding its sales and distribution networks and its increase in controls over its overseas subsidiaries.

- The Group stepped up its control on operating expenses through a continuous streamlining programme and implementation of a number of cost containing policies.

- Manufacturing costs have been reduced from improved efficiencies following the consolidation and vertical integration of certain production facilities and processes.

- As the Group's inventory level has gone down substantially in the second half, related logistic and stock holding costs have also decreased.

Disciplined Financial Management

The Group generally finances its operations from internal cash flow. Net cash balances and deposits at March 31, 2002 stood at HK$653.0 million, an increase of HK$247.8 million over last year. This remarkable result was achieved due to the Group's tight control on credit and an aggressive sales promotion programme carried out in the second half of the financial year.

Attributable to its tight control on credit and increased efforts on debt collection in the second half of the year, receivables of the Group decreased by 17% to HK$315.4 million over the year and by 35% during the second half whilst turnover increased by 7% from the first half. As part of the Group's credit policy, terms of trade are normally on letter of credit with the exception of sales between member companies of the Group or to selected customers with long established business relationships and strong financial positions.

Having been hit by sluggish consumer demand in the first half of the year, the Group had an unusually high level of inventories of HK$467.3 million at the end of the period. The situation prompted the Group to implement an aggressive sales promotion programme, which resulted in a 31% drop in inventories from last year.

The Group has sufficient financial resources to fund its operations, current investment needs and development plans. It is funded entirely by equity and does not have any secured or unsecured long-term debt. Short-term bank borrowings of HK$15.1 million at March 31, 2002 were in relation to bills payable, import loans, a revolving bank loan and bank overdrafts.

Compared with last year, the Group has adopted a more aggressive attitude to managing its cash reserves and is actively seeking yield enhancement opportunities. Strict criteria have been laid down whereby the Group will only invest in yield enhancing instruments issued by institutions with a minimum of a double A rating and with maturity of less than three years. At the end of the year, the Group has placed a sum of US$18.0 million (HK$140.4 million) on this type of instruments yielding an average interest of 5.3% per annum. These instruments do carry a level of risk where interest earned could be nil if certain conditions are met.

The Group's exposure to foreign currency translation is mainly in Euro and Sterling arising from trading transactions between local and overseas member companies. The Group actively hedges its foreign currency exposures through natural hedges, forward contracts and options. To minimise its exposure to the currency translation of inter-company balances, the Group has capitalised part of the receivables due from its overseas subsidiaries. Speculative currency transactions are strictly prohibited. The management of currency risk is centralised in the Group's headquarter in Hong Kong.

At March 31, 2002, the Group had contingent liabilities of HK$0.4 million (2001: HK$3.9 million).

(top to bottom)
Trade shows in the U.S., France, U.K. and Germany.

Oregon Scientific Galloping Ahead

Ever since Oregon Scientific, Inc. became a wholly owned subsidiary in 1997, the Group has been capitalising on the creative and innovative designs associated with the brand. Through a marketing strategy which is geared towards increasing the visibility of the OS brand, the Group's worldwide marketing offices have been increasing points of sales with the placement of labelled cabinets and corners, shops in shop as well as custom made display units. Increasingly the visibility of the OS name is a key ingredient in positioning OS as a high value brand in the hearts and minds of consumers looking for innovative consumer electronic products.

Today, the Group has established a global network of 15 sales and distribution offices across the region in Europe (U.K., France, Germany, Italy, Spain, Poland, Denmark), the U.S. (Portland, Stamford, New York) and Asia Pacific (Australia, Japan, China, Hong Kong, Brazil). Each of these offices is specifically charged with the mission to sell and promote the OS branded products. In addition, these offices will also serve the OEM/ ODM customers located in their respective countries. This allows the Group to strategically segment the market channels by having differentiated products to gain maximum coverage and market share. The OS business and private label business are therefore complementary.

For the year ended March 31, 2002, total sales of the OS products increased by 10% to reach HK$885.2 million, which represents a significant 40% of the Group's turnover. For individual divisions, the OS sales accounted for 62%, 44% and 47% of the sales of LCD Consumer Electronic Products, Electronic Personal Information Products and Electronic Learning Products divisions respectively.

The OS sales and distribution subsidiaries provide the necessary support to the Group to successfully open new channels of distribution in the market and to achieve better margins for the Group. As an example, Oregon Scientific, Inc., which covers the North American market, started e-commerce sales in November 2001. This also provides the Group with invaluable information about the profile of its customers and the ability to build a direct relationship with the customers. The information gathered has already shown that many are repeat customers. This interaction with users of the products will help us understand and meet customers' needs.

In the year under review, the largest market for our OS products was Italy where we made OS branded sales of HK$244.3 million, up 13% from last year. The remarkable performance in Italy was attributable to the successful implementation of our visibility concept capped by a flagship store in Milan and a franchise shop in Rome. Since the Italian operation had become profitable soon after inception, the Group managed to invest aggressively on TV advertising and sponsoring sports events.

Having achieved a growth rate of 36% in sales to reach HK$64.5 million, Spain was the fastest growing market for OS products for the year. U.K. and France were another two very important European markets for OS with sales of HK$88.7 million and HK$75.7 million respectively. Sales growth in U.K. and France was 3% and 16% respectively.

For financial year 2002, the U.S. was OS's second largest market with HK$229.4 million of sales and a growth rate of 9%. By comparing the demographic data of the U.S. and Italy, the Group believes that the U.S. possesses substantial potential for further growth.

The OS brand will be further developed in new markets through appointed national distributors who have the ability to cover the sales channels in their respective markets and the resources to invest in the promotional and marketing activities that are needed to grow the business successfully.

In Brazil, where we estimated to have about 36.8 million potential customers from its total population of 160 million, we have incorporated a subsidiary in April 2002. Market response to the OS products to date has been very positive. This follows the success we have been enjoying over the last few years of our export sales from Hong Kong. Recognising the relatively high currency exchange risk, we have made appropriate hedging arrangements including the use of bonded warehousing and hedging instruments.

For the China market, we will step up our presence by investing on points of sales and promotions in line with our visibility concept. In April 2002, a new general manager was appointed to lead and expand our existing team in Shanghai.

The Group plans further flagship stores for key cities in the U.S., Europe and Asia. These stores will further enhance the visibility of the OS brand worldwide.

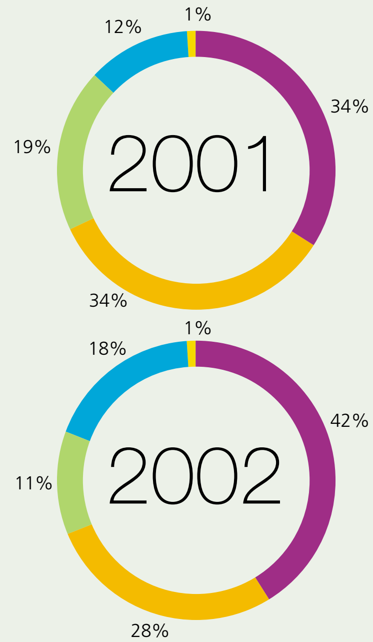
Although running our own sales and distribution network for the OS branded products will enhance the overall profit margin for the Group, we are fully aware that such operation requires a different set of skills to our traditional OEM/ODM manufacturing business. In particular, distribution business requires careful working capital management due to the need to hold inventories of finished goods and to offer credit facilities to local distributors and dealers. The Group's ability to manage this operation well has been demonstrated by the fact that both inventories and receivables have dropped by 31% and 17% respectively over the year. To further enhance its management, the Group has already earmarked to spend about HK$10.0 million over two years on an advanced Enterprise Resources Planning system to integrate its global sales and distribution networks. To further improve cost efficiency of the operation, the Group is in the process of setting up a centralised warehouse and a logistics centre in Europe.

LCD Consumer Electronic Products

During the financial year, the **LCD Consumer Electronic Products** ("LCD") business achieved HK$931.6 million of sales, down 4% from last year's HK$975.3 million. It accounted for approximately 42% of the Group's turnover and remains the largest business segment of the Group. Sales of OS branded products grew by 13% to reach HK$574.5 million whilst Huger branded sales decreased by 50% to HK$39.5 million. OS branded sales accounted for 62% of the business segment's total sales for the year, compared with 52% last year.

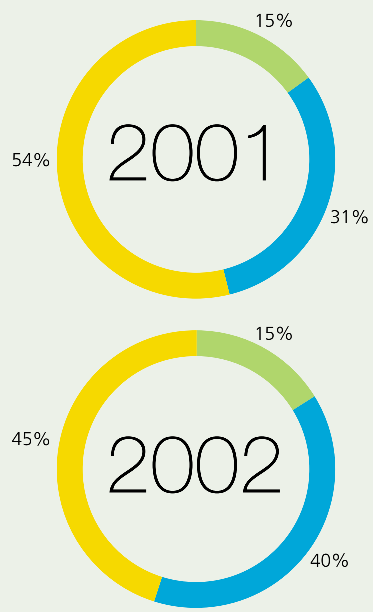
During the year under review, the division introduced a new line of Health Care and Sports Products, leveraging on the Group's LCD and RF technologies coupled with the avant-garde design and quality that typifies the Group's products. The strategy to expand the LCD division's product offerings in this expanding market segment resulted in an impressive growth of 39% based on division sales.

Sales Segmentation by Product Group



- LCD Consumer Electronic Products
- Electronic Personal Information Products
- Electronic Learning Products
- Telecommunication Products
- Other consumer electronic products

Sales Segmentation by Market



- U.S.
- Europe
- Asia Pacific

(top to bottom)
Projection Clock with Weather Station; Wrist Type Blood Pressure Meter; Wireless Weather Station; and Altimeter Watch.

Environmental Monitoring and Timing Devices recorded lower sales due mainly to a combination of increased competition, sluggish economic activity and an inventory overhang at the beginning of the year. The Group introduced a sales promotion program with aggressive pricing for slow moving items in the 3rd quarter of the financial year, which helped reduce the inventory to a more satisfactory level.

During the year, the LCD division has launched 118 new products, which accounted for 37% of its total sales on a divisional basis. This division currently has 114 new products under development. It is also working with OEM/ODM customers to develop and manufacture non-core products such as smartcard readers.

Telecommunication Products

The **Telecommunication Products** ("TEL") business continues to depend substantially on the U.S. market, which accounted for 93% of sales. As a result, it suffered from the annualised impact of the pricing pressure which began to take place in September 2000. This was then further exacerbated by excess inventories in the U.S. market and continued price pressure. This resulted in a decline in sales of HK$357.4 million to HK$623.7 million for the year under review.

The business is also faced with the fast pace of changing technology. The 46/49MHz platform phones, which dominated the product mix three years ago, have already been entirely replaced by the 900MHz analogue standard which in turn is being superseded by the 2.4GHz analogue standard. Therefore, keeping ahead of technology and shortening time to market of new products are essential pre-requisites to ensure success in this volume driven business.

In addition to launching its 2.4GHz analogue phones to the market during the year, the TEL division's 1.8GHz Digitally Enhanced Cordless Telephone (DECT) has now been extensively tested in Europe and will help the division to promote sales in new markets. The product range will be extended in the new financial year after the favourable reaction of the market and the request for a range of product to help address a larger spectrum of the market.

The Electronic Manufacturing Services (EMS) which the business is building up, have enjoyed some success during the year, gaining new projects from telco groups – thanks to the technological capabilities within the Group and advanced manufacturing facilities. The division will continue to devote resources to developing this line of business in order to move into the higher margin value added services segment.

The division has about 23 new products currently under development.

Electronic Personal Information Products

The **Electronic Personal Information Products** ("PIP") business achieved HK$260.4 million of sales for the year, representing 11% of the Group's turnover. Sales under the OS brand were HK$113.9 million, which accounted for 44% of the total. When compared with the previous year, sales dropped by 52%, which is largely accountable for by the one-off project enjoyed last year linked with the short lived internet boom. Eliminating the income from this project, sales of the business have actually dropped by 17% over the year.

The PIP business continues to enjoy tremendous growth of the digital camera market and is investing in engineering and manufacturing resources to move into higher specification products in line with the market trends. In collaboration with a number of partners, it produced the world's slimmest digital camera measuring just 6mm in thickness, which also has earned a place in the Guinness Book of World Records. The division is upgrading its production capabilities to make digital cameras with higher resolution. In addition, it will introduce to the market digital cameras with more features such as TFT viewer and optical zoom in the financial year 2003.

Whilst digital imaging is now the division's main focus, it still continues to develop its digital voice recorder, personal digital assistant (PDA) and databank line of products. Capitalising on its technical know-how and production facilities, it is currently working on a number of innovative turnkey projects with customers.

Electronic Learning Products

The Group's **Electronic Learning Products** ("ELP") business had a successful year recording an overall growth of 9% over last year. Total sales have reached HK$402.7 million, whilst the OS and licensed products enjoyed a 53% increase in sales to HK$187.3 million.

The OEM side of the business fared less well and suffered a 13% drop in sales. It was mainly due to its heavy dependence on the Japanese market, which is still confronting a very tough economic environment.

IDT, in partnership with Mattel Inc., introduced three Barbie™ electronic learning products in 2001. The Barbie™ learning aids were an instant hit with consumers, resulting in outstanding sales performance. In recognition of IDT's accomplishments, Mattel awarded IDT the "Best Hardlines Design Execution Award" for exceptional design achievement and creativity for the 2001 Oregon Scientific Barbie™ electronic learning products.

Going forward, the division will focus on developing character based products, with characters being either created in-house or licensed. Moreover, it will be working closely with its OEM partners to bring more innovative products to the market.

(top to bottom)
2.4GHz Dual Key Pad; Conference Telephone; Mini Headset Cordless Telephone; and Transceiver.

Committed to Research and Development

This year, the Group has further increased its investment in research and development ("R&D") from 3.5% of sales last year to 4.0% of sales. As part of its progressive plan to capture talent in Mainland China, the number of engineers at its R&D centre in Shekou reached 53 at the end of the year. The Group has planned to increase the number of engineers in Shekou to 200 by the end of December 2002, thus bringing the total number of engineers for the Group to 500. The two R&D centres work very closely together with staff in Hong Kong being responsible for product planning and specification, architectural design and feasibility study as well as documentation, whereas their Shekou counterparts concentrate on design and laboratory work.

(top to bottom)
6mm Card Size Digital Camera; 1.3 Mega Pixel Digital Camera; Credit Card Touch Screen PDA; and Digital Voice Recorder with PC Link.

To organise the Group R&D function in a more centralised and cost effective manner, there have been transfers of engineers from the product development department in each product division to the Shekou R&D centre. The Group's R&D division has also established links with certain universities and leading institutions in joint collaboration to develop new technologies and applications.

The Group R&D function is also driving the implementation of improved process in product development. The "Toll-gate" system of new product development has been implemented aiming at the achievement of systemic and strategic development of new products to reach the market on time.

Manufacturing

During the year, the Group has made total capital expenditure of HK$37.2 million on enhancing the manufacturing facilities and mould production. Whilst mould production accounted for 43% of the total, 17% was expansionary in nature and 11% was for ordinary replacement. The balance was represented by leasehold improvements relating to the relocation of certain production facilities for cost saving purposes.

As the Group has expanded its manufacturing facilities in the year ended March 31, 2001, it did not make any significant capital expenditure during the financial year under review, nor does it expect to incur further expansionary capital expenditure in the next two years. The Group expects to spend about the same level of capital expenditure on manufacturing facilities in financial year 2003. This will include the upgrading of the clean room and related facilities for the PIP division so as to enable it to produce more sophisticated and technologically advanced digital imaging products.

	No. of assembly lines	Maximum output per month (units)
LCD	19	750,000
TEL	16	600,000
PIP	6	200,000
ELP	5	250,000

	Maximum output per month (units)
Plastic mould injection machines	9 million
Surface mount technology machines	3 million
Mould making facilities	40-60
Wire-bonding facilities	1 million

In order to achieve higher utilisation of factory floor space, the Group has relocated the production and assembly facilities of the ELP division to its main manufacturing base at Xixian, Shenzhen. The factory consolidation process will continue in the current year with the relocation of the PIP division's production facilities. This will streamline the logistic flow of materials, improve the production process and reduce fixed overheads by approximately HK$1.8 million a year.

Financial year 2002 was the first year in which the Group's in-house facilities in surface mount technology, wire-bonding, precision plastic moulding, mould making and plastic injection were fully integrated and operational for the whole year. This vertical integration of production processes allows the factory to have better control on production lead time, quality and costs.

The Group's production lines are at different phases in adapting the cell-based assembly line configuration. Unlike the traditional straight line set up where workers at different points along the assembly line are only responsible for a finite part of the whole process, the cell-based approach requires each team member within a cell to complete the whole assembly process. The cell-based line approach has the advantage of reducing turnaround time of products, and thus improves efficiency as well as reducing the level of work in progress.

Kyosha is Better Equipped for Growth

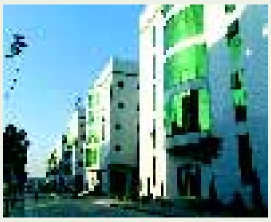
Whilst significant slowdown in the world economy has resulted in excess capacity in the printed circuit board ("PCB") industry, profit contribution from the Group's 37% owned Kyosha Holdings (Singapore) Limited ("Kyosha") has dropped to HK$3.8 million for the financial year, down from HK$8.0 million the year before. Nevertheless, Kyosha has successfully installed double-sided silver through-hole PCB manufacturing capability during the year to extend its product offerings. Kyosha is now in a much stronger position to benefit from the increasing numbers of Japanese manufacturers relocating their production facilities to China and a stabilising worldwide economy.

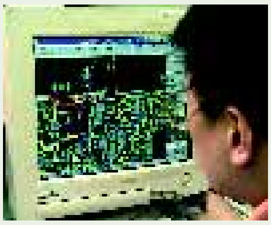
Maintaining a Committed and Capable Workforce

At March 31, 2002, the Group had a total number of approximately 6,700 employees (2001: approximately 8,700 employees) which is about 23% less than last year. The reduction is in line with the Group's strategy to leverage its subcontracting partnerships and the improved efficiency gains from the consolidation of its facilities. The Group has continued to provide staff training to enhance employees' skills and knowledge. Furthermore, the Group has introduced Balanced Score Card approach to goal setting and measuring performance. Key management staff has remained stable and committed throughout the year.

The Group recognises the importance of its employees who contribute to the success of its business. The Group offers remuneration package in line with industry practice, which is subject to annual review. Bonuses may be awarded to employees based on individual performance and the Group's performance. Other staff benefits include medical insurance and mandatory provident fund. In Xixian, Shenzhen, The People's Republic of China where the Group centres its production facilities and at Shekou where the Group maintains its research and development resources, staff welfare was paid with reference to the prevailing labour law in China. The Company and its two Singapore listed subsidiaries, IDT Holdings (Singapore) Limited and I-Comm Technology Limited, each has an employees' share option scheme to allow granting of share options to selected eligible employees with reference to their contributions and to align their interests with that of the shareholders'.

(top to bottom)
Accelerator X18; Zip the Robot Plus; Wav DJ; and Best Hardlines Design Execution Award.





(from top to bottom)
Factory facilities and our employees.

Optimistic for Another Profitable Year

The Group is seeing a satisfactory start to the new financial year with order books currently ahead of the same period last year.

The Group believes that there are still many opportunities for growth that can be leveraged from new markets and new products, which are being launched in the new financial year.

The Group is investing for the future and is expanding its R&D resources. It is also planning to invest in systems to improve the operational efficiency and knowledge sharing within the Group.

Although the Group has been proud to present a set of satisfactory results for this year of very difficult business environment, it is still constantly working on ways to further improve its operating performance. On the sales and distribution front, the Group will focus on increasing the number of points of sales for its OS brand. At the same time, it will continue to explore new opportunities, new markets and new technologies. On the cost front, the Group will further strengthen its proactive stance in making operational changes and implementing aggressive cost efficiency measures. However, as both the speed and strength of a worldwide economic recovery are still uncertain, the Group is cautiously hoping to prove itself once again in its ability to sail through uncertain times with satisfactory results for the new financial year.

Barring unforeseen circumstances, the directors are optimistic that the Group will record increased profits for the new financial year.

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

June 18, 2002
Hong Kong