



IDT International Limited

萬威國際有限公司

(Incorporated in Bermuda with limited liability)

2003

Interim Report

**IDT INTERNATIONAL LIMITED** is a holding company with subsidiaries engaged in the design, development, manufacture, and sales and marketing of innovative consumer electronic products featuring the state-of-the-art liquid crystal display and microprocessor technology.

## **PERFORMANCE HIGHLIGHTS**

- Turnover increased 10% to HK\$1,186.8 million.
- Oregon Scientific recorded sales of HK\$404.9 million, an increase of 6%.
- Profit attributable to shareholders increased 31% to HK\$66.8 million.
- Interim dividend is 2.0 HK cents per share against 1.0 HK cent per share for same period last year.
- Basic earnings per share was 3.2 HK cents against 2.5 HK cents for same period last year.
- Net cash and deposits were HK\$453.1 million, an increase of HK\$56.2 million over same period last year.

**UNAUDITED INTERIM RESULTS**

The directors (the "Directors") of IDT International Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2002 together with the comparative figures for the corresponding period last year as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Six months ended September 30</b>	
		<b>2002 (Unaudited) HK\$'m</b>	2001 (Unaudited) HK\$'m
	Notes		
Turnover	2	<b>1,186.8</b>	1,079.8
Cost of sales		<b>(825.9)</b>	(733.5)
Gross profit		<b>360.9</b>	346.3
Other revenue		<b>34.3</b>	45.5
Selling expenses		<b>(121.5)</b>	(115.9)
Administrative expenses		<b>(118.2)</b>	(137.1)
Research and development expenses		<b>(57.9)</b>	(49.0)
Profit from operations	3	<b>97.6</b>	89.8
Finance costs		<b>(1.3)</b>	(1.7)
Share of results of an associate		<b>2.6</b>	2.8
Profit before taxation		<b>98.9</b>	90.9
Taxation	4	<b>(13.5)</b>	(16.9)
Profit after taxation		<b>85.4</b>	74.0
Minority interests		<b>(18.6)</b>	(23.0)
Profit attributable to shareholders		<b>66.8</b>	51.0
Interim dividends	5	<b>(41.4)</b>	(20.7)
Earnings per share (HK cents)	6		
– basic		<b>3.2</b>	2.5
– diluted		<b>3.2</b>	2.5

**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>At September 30 2002 (Unaudited) HK\$'m</b>	At March 31 2002 (Audited) HK\$'m
	Notes		
<b>Non-current assets</b>			
Investment properties		<b>6.6</b>	6.6
Property, plant and equipment	7	<b>324.4</b>	347.3
Goodwill		<b>3.7</b>	–
Interest in an associate		<b>56.6</b>	54.8
Intangible assets		<b>50.8</b>	50.0
Long-term bank deposits		<b>218.4</b>	140.4
		<b>660.5</b>	599.1
<b>Current assets</b>			
Inventories		<b>516.1</b>	300.9
Property held for resale		<b>1.6</b>	1.6
Trade and other receivables	8	<b>555.1</b>	315.4
Bank balances and cash		<b>342.7</b>	528.0
		<b>1,415.5</b>	1,145.9
<b>Current liabilities</b>			
Trade and other payables	9	<b>560.6</b>	254.1
Amount due to an associate		<b>0.1</b>	0.1
Obligations under finance leases – due within one year		<b>0.1</b>	0.1
Taxation		<b>24.8</b>	14.5
Bank borrowings – unsecured		<b>107.8</b>	15.1
		<b>693.4</b>	283.9
<b>Net current assets</b>		<b>722.1</b>	862.0
<b>Total assets less current liabilities</b>		<b>1,382.6</b>	1,461.1
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year		<b>0.1</b>	0.2
Deferred taxation		<b>11.4</b>	11.0
		<b>11.5</b>	11.2
<b>Minority interests</b>		<b>296.5</b>	328.2
<b>Net assets</b>		<b>1,074.6</b>	1,121.7
<b>Capital and reserves</b>			
Share capital	10	<b>207.2</b>	207.0
Reserves		<b>867.4</b>	914.7
		<b>1,074.6</b>	1,121.7

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'m	Asset revaluation reserve HK\$'m	Currency translation reserve HK\$'m	Capital reserve HK\$'m	Share premium HK\$'m	Revenue reserve HK\$'m	Total HK\$'m
Balance at April 1, 2001	206.6	38.3	(7.4)	3.7	61.1	753.7	1,056.0
Net gains and losses not recognised in the consolidated income statement							
– currency realignment	–	–	4.8	–	–	–	4.8
Net profit for the period	–	–	–	–	–	51.0	51.0
2001 final dividend paid	–	–	–	–	–	(51.7)	(51.7)
Issue of share capital as a result of the exercise of share options	0.4	–	–	–	1.8	–	2.2
Transfer to revenue reserve upon disposal of leasehold land and buildings	–	(4.2)	–	–	–	4.2	–
<b>Balance at September 30, 2001</b>	<b>207.0</b>	<b>34.1</b>	<b>(2.6)</b>	<b>3.7</b>	<b>62.9</b>	<b>757.2</b>	<b>1,062.3</b>
Balance at April 1, 2002	207.0	33.8	(10.2)	3.7	62.9	824.5	1,121.7
Net gains and losses not recognised in the consolidated income statement							
– currency realignment	–	–	9.6	–	–	–	9.6
Net profit for the period	–	–	–	–	–	66.8	66.8
2002 final dividend paid	–	–	–	–	–	(72.5)	(72.5)
2002 special dividend paid	–	–	–	–	–	(51.8)	(51.8)
Issue of share capital as a result of the exercise of share options	0.2	–	–	–	0.6	–	0.8
<b>Balance at September 30, 2002</b>	<b>207.2</b>	<b>33.8</b>	<b>(0.6)</b>	<b>3.7</b>	<b>63.5</b>	<b>767.0</b>	<b>1,074.6</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended</b>	
	<b>September 30</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'m</b>	HK\$'m
Net cash from operating activities	<b>1.9</b>	103.0
Net cash used in investing activities	<b>(129.1)</b>	(1.0)
Net cash used in financing activities	<b>(62.8)</b>	(67.4)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	<b>(190.0)</b>	34.6
Cash and cash equivalents at April 1	<b>527.8</b>	409.9
Effect of foreign exchange rate changes	<b>4.2</b>	1.6
	<hr/>	<hr/>
Cash and cash equivalents at September 30	<b>342.0</b>	446.1
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Notes:

**1. Principal accounting policies**

The condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended March 31, 2002 except as described below.

In this interim reporting period, the Group has adopted, for the first time, a number of new and revised SSAPs, which are effective for accounting periods commencing on or after April 1, 2002:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these new and revised SSAPs does not have any material impact to the accounting policies and financial results of the Group except that certain comparatives presented have been restated to conform to the new disclosure requirements.

The Directors have re-assessed the depreciation rate applicable to moulds for better reflection of the useful lives of the assets. With effect from April 1, 2002, moulds are depreciated at 30% to 50% per annum compared with 15% per annum previously. Such change in depreciation rate on moulds has increased the depreciation charge for the period by approximately HK\$5.4 million.

## 2. Segment information

An analysis of the Group's turnover and contribution to profit from operations by business segments is as follows:

	Turnover		Contribution to profit from operations	
	Six months ended September 30			
	2002 HK\$'m	2001 HK\$'m	2002 HK\$'m	2001 HK\$'m
Sales and manufacture of:				
LCD consumer				
electronic products	<b>415.2</b>	421.4	<b>54.4</b>	51.9
Telecommunication				
products	<b>405.1</b>	324.7	<b>3.3</b>	2.4
Electronic personal				
information products	<b>150.2</b>	117.6	<b>2.0</b>	13.0
Electronic learning				
products	<b>208.0</b>	201.0	<b>22.9</b>	19.9
Other consumer				
electronic products	<b>8.3</b>	15.1	<b>(0.2)</b>	1.0
	<b><u>1,186.8</u></b>	<u>1,079.8</u>	<b><u>82.4</u></b>	<u>88.2</u>
Interest income			<b>10.9</b>	9.2
Unallocated corporate				
income (expenses)			<b>4.3</b>	(7.6)
Profit from operations			<b><u>97.6</u></b>	<u>89.8</u>

An analysis of the Group's turnover and contribution to profit from operations by geographical market is as follows:

	Turnover		Contribution to profit from operations	
	Six months ended September 30			
	2002 HK\$'m	2001 HK\$'m	2002 HK\$'m	2001 HK\$'m
United States of America	<b>660.5</b>	531.9	<b>47.4</b>	30.7
Europe	<b>368.6</b>	403.8	<b>30.2</b>	55.0
Asia Pacific	<b>157.7</b>	144.1	<b>4.8</b>	2.5
	<b><u>1,186.8</u></b>	<u>1,079.8</u>	<b><u>82.4</u></b>	<u>88.2</u>
Interest income			<b>10.9</b>	9.2
Unallocated corporate				
income (expenses)			<b>4.3</b>	(7.6)
Profit from operations			<b><u>97.6</u></b>	<u>89.8</u>

**3. Profit from operations**

	<b>Six months ended September 30</b>	
	<b>2002</b>	2001
	<b>HK\$'m</b>	HK\$'m
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	<b>33.3</b>	24.6
Amortisation of intangible assets	<b>17.7</b>	7.7
Loss on disposal of property, plant and equipment	<b>12.3</b>	4.2
and after crediting:		
Interest income	<b>10.9</b>	9.2

**4. Taxation**

	<b>Six months ended September 30</b>	
	<b>2002</b>	2001
	<b>HK\$'m</b>	HK\$'m
The charge consists of:		
Hong Kong Profits Tax	<b>(10.5)</b>	(12.9)
Tax in other jurisdictions	<b>(2.5)</b>	(3.8)
Deferred taxation charge	<b>(0.4)</b>	(0.1)
	<b>(13.4)</b>	(16.8)
Share of taxation of an associate – Hong Kong Profits Tax	<b>(0.1)</b>	(0.1)
	<b>(13.5)</b>	(16.9)

**5. Dividends**

	<b>Six months ended September 30</b>	
	<b>2002</b>	2001
	<b>HK\$'m</b>	HK\$'m
2002 final dividend paid of 3.5 HK cents per share in cash (2001: 2.5 HK cents per share in cash)	<b>(72.5)</b>	(51.7)
2002 special dividend paid of 2.5 HK cents per share in cash (2001: nil)	<b>(51.8)</b>	–
2003 interim dividend of 2.0 HK cents per share in cash (2002: 1.0 HK cent per share in cash)	<b>(41.4)</b>	(20.7)
	<b>(165.7)</b>	(72.4)



## 6. Earnings per share

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

	<b>Six months ended September 30</b>	
	<b>2002</b> HK\$m	2001 HK\$m
Net profit for the period for the purpose of basic earnings per share	<b>66.8</b>	51.0
Effect of dilutive potential ordinary shares: Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	<u><b>(0.1)</b></u>	<u>(0.1)</u>
Net profit for the purpose of diluted earnings per share	<u><b>66.7</b></u>	<u>50.9</u>
	<b>2002</b>	2001
Number of ordinary shares: Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,071,447,538</b>	2,069,107,225
Effect of dilutive potential ordinary shares: Options	<u><b>4,738,585</b></u>	<u>1,275,387</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>2,076,186,123</b></u>	<u>2,070,382,612</u>

## 7. Additions to property, plant and equipment

During the period, the Group spent approximately HK\$20.7 million (2001/2002: HK\$26.3 million) on additions to plant and equipment to upgrade its manufacturing capabilities.

## 8. Trade and other receivables

The Group allows its trade customers a credit period normally ranging from letter of credit at sight to 30 days. A longer credit period of 45 to 60 days is granted to a few customers with long business relationship and strong financial position.

The following is an aged analysis of trade receivables at the reporting date:

	<b>At September 30 2002 HK\$'m</b>	At March 31 2002 HK\$'m
Not yet due	<b>400.1</b>	201.5
Overdue less than 31 days	<b>56.3</b>	24.8
Overdue 31 to 90 days	<b>13.2</b>	14.8
Overdue more than 90 days	<b>7.3</b>	7.6
	<hr/>	<hr/>
	<b>476.9</b>	248.7
Other receivables	<b>78.2</b>	66.7
	<hr/>	<hr/>
	<b>555.1</b>	315.4

## 9. Trade and other payables

The following is an aged analysis of trade payables at the reporting date:

	<b>At September 30 2002 HK\$'m</b>	At March 31 2002 HK\$'m
Not yet due	<b>313.4</b>	96.0
Overdue less than 31 days	<b>71.4</b>	35.5
Overdue 31 to 90 days	<b>5.2</b>	10.6
Overdue more than 90 days	<b>3.1</b>	1.3
	<hr/>	<hr/>
	<b>393.1</b>	143.4
Other payables	<b>167.5</b>	110.7
	<hr/>	<hr/>
	<b>560.6</b>	254.1

## 10. Share capital

	<b>Number of shares</b>	<b>Amount HK\$'m</b>
At April 1, 2002	2,070,288,407	207.0
Issue of shares on the exercise of share options	1,507,000	0.2
	<hr/>	<hr/>
<b>At September 30, 2002</b>	<b>2,071,795,407</b>	<b>207.2</b>

## **11. Event after the balance sheet date**

With reference to the announcement dated September 18, 2002 made by the Company, Top Treasure Group Limited, a wholly owned subsidiary of the Company, made a voluntary conditional cash offer ("Offer") to acquire all the ordinary shares of US\$0.05 each in the capital of I-Comm Technology Limited, a non-wholly owned subsidiary of the Company listed on the Singapore Exchange Securities Trading Limited. Further details of the Offer can be found in the section titled "Voluntary Conditional Cash Offer for I-Comm Technology Limited" in this report.

## **INTERIM DIVIDEND**

The Directors have declared an interim dividend of 2.0 HK cents per share in cash for the year ending March 31, 2003 (interim dividend for the year ended March 31, 2002 was 1.0 HK cent per share in cash) to be paid on or about January 27, 2003 to shareholders whose names appear on the register of members of the Company on January 6, 2003.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain the entitlements of shareholders to the interim dividend, the register of members of the Company will be closed from January 3, 2003 to January 6, 2003, both days inclusive, during which period no share transfers will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on January 2, 2003.

## **BUSINESS REVIEW**

Turnover of the Group for the six months ended September 30, 2002 was HK\$1,186.8 million, representing an increase of approximately 10% from the corresponding period last year. This increase was mainly attributable to the Telecommunication Products and Electronic Personal Information Products divisions. Over the same period, the Group's branded sales increased by 6% to HK\$404.9 million and now account for over 34% of the Group's turnover, compared with 35% for the same period last year.

Gross profit has increased by 4% to HK\$360.9 million while gross profit margin dropped from 32% to 30%. The drop in gross profit margin was mainly due to the decrease in branded sales' weighting in the Group's sales mix and a degree of pricing pressure on some of the Group's product lines.

**BUSINESS REVIEW** (continued)

Profit from operations was HK\$97.6 million, compared with HK\$89.8 million for the corresponding period last year. Operating expenses have dropped by about 1% to HK\$297.6 million over the period. To support the growth of the business, selling and research and development expenses have increased by 5% and 18% respectively. However, management has alleviated the impact from these increases by reducing administrative expenses by 14%.

In the six months ended September 30, 2002, the Group had taken a charge for write-off of plastic injection moulds used in the production of its products amounting to HK\$8.5 million (2001/2002: nil).

Profit attributable to shareholders for the period was HK\$66.8 million, which represents a 31% increase from the corresponding period last year. As a percentage of turnover, this period achieved a 6% net profit margin, up from 5% of same period last year.

The major business development of each business division is described below.

**Oregon Scientific ("OS")** recorded sales of HK\$404.9 million, representing an increase of 6% from the corresponding period last year. In the period under review, the US was the fastest growing and largest market for OS products having achieved HK\$150.1 million of sales, which represents a 61% increase. Due to soft market conditions, Italy, which was the second largest market, suffered a 24% decline in sales to HK\$92.4 million. However, there are signs of improved conditions for the second half. Australia, Spain, and UK achieved satisfactory sales growth of 56%, 36% and 18% respectively.

Following the success of the OS brand in Europe and the US, the Group is in the process of increasing its presence in Asia. In September this year, a marketing office was established in Singapore to better serve the markets in South East Asia. In October, OS was officially launched in Shanghai and was the official timing machine for China's first Internet game competition organized by the Internet Society of China. During the period under review, a number of new distributors in Singapore and China have already been appointed.

In Brazil, the operation is being ramped up and is expected to see benefits in the second half. There are also plans to leverage on the Brazilian operation to expand into other Latin American countries through local distributors.

**LCD Consumer Electronic Products** recorded sales of HK\$415.2 million, down 1% from the corresponding period last year. It accounted for approximately 35% of the Group's turnover and remains the largest division of the Group. OS branded sales accounted for 57% of the division's total sales for this period and the corresponding period last year.

**BUSINESS REVIEW** (continued)

For the Environmental Monitoring and Timing Devices, despite achieving sales volume increase, average selling prices of both product categories were lower than last year due to intensified competition. The second half will see the introduction of a number of new products which are expected to bring additional sales. Health Care and Sports Products recorded a decline in sales due to price pressure and delay of a number of OEM projects.

**Telecommunication Products** achieved a 25% increase in sales to reach HK\$405.1 million for the period. It represents approximately 34% of the Group's turnover. These results are particularly encouraging given the division's dependence on the US market which is still recovering from the economic downturn. During the period, the division began to leverage on the OS brand and its extensive worldwide distribution network. Sales through the OS brand were HK\$10.8 million, which accounted for 3% of the division's total sales.

The period saw significant increase in the sales of the more advanced phone products such as the 2.4GHz analogue and 1.8GHz digital cordless telephones. These accounted for approximately 40% of the division's turnover for the period and have alleviated the impact from the fall in sales of the 900MHz cordless phones.

In order to better equip this separately listed division to compete in the increasingly challenging consumer telecommunications equipment industry, it is being privatised to benefit fully from the economies of scale and the cost efficiencies that will arise from being fully integrated with the Group. The privatisation and de-listing of I-Comm Technology Limited, the holding company for this division's business, from the Singapore Exchange Securities Trading Limited is expected to be completed by the end of January 2003. On administrative and legal fees alone, the Group estimates to save around HK\$3 million to HK\$4 million per annum.

**Electronic Personal Information Products** recorded sales of HK\$150.2 million, representing 13% of the Group's turnover and a 28% growth from the corresponding period last year. About 27% of this division's sales were through the Group's OS brand. During the period, the division continued to leverage on the tremendous popularity of the "Eyeplate", the world's slimmest digital camera launched in March 2002. However, as the Group took aggressive action to clear a number of the slow moving products, the division suffered a significant drop in operating profit.

The division's production facilities in Xixian, Shenzhen, The People's Republic of China ("PRC") have been upgraded with a HK\$4 million investment in a new clean room opened in November this year. A series of new digital cameras are ready to be launched to the market in early 2003 to meet the expected growth of this product category.

**BUSINESS REVIEW** (continued)

**Electronic Learning Products** achieved HK\$208.0 million of sales for the period, representing 18% of the Group's turnover and a 3% increase from the corresponding period last year. Sales under the OS brand were HK\$114.2 million, which accounted for 55% of the total. The OEM side of the business has fared less well with a 35% drop in sales, due to the economic situation in Japan which is the largest market for the division's OEM business. The division will continue to focus on character based products, either through licensed arrangements or proprietary development.

**Working capital** at the end of the period amounted to HK\$722.1 million, down 21% from the end of the corresponding period last year. Given the increases in sales and net profit for the Group, this drop in working capital indicates improvement in our working capital utilization. Due to seasonality factors, levels of inventories, trade receivables and trade payables as at September 30, 2002 are higher than their levels at the last financial year end. When compared with the corresponding period last year, inventories, trade receivables and trade payables have increased by 10%, 18% and 55% respectively. The increase in trade payables was mainly due to increase in credit terms granted by our suppliers.

**VOLUNTARY CONDITIONAL CASH OFFER FOR I-COMM TECHNOLOGY LIMITED**

In the announcement dated September 18, 2002 made by the Company, shareholders were advised that a voluntary conditional cash offer (the "Offer") was made by Top Treasure Group Limited ("Top Treasure"), a wholly owned subsidiary of the Company, to acquire all the issued ordinary shares of US\$0.05 each ("I-Comm Shares") in the capital of I-Comm Technology Limited ("I-Comm") not owned by Top Treasure at an offer price of S\$0.30 per I-Comm Share. I-Comm is a non-wholly owned subsidiary of the Company currently listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

In the announcement dated December 5, 2002 made by the Company, shareholders were further advised that the Offer has closed at 3:30 p.m. on December 5, 2002 (the "Close"). At the Close, the condition to the Offer having been fulfilled, the Offer has become and been declared unconditional in all respects. The proposal made by Top Treasure to optionholders of I-Comm in respect of their outstanding options has also been declared unconditional in all respects.

As announced on December 5, 2002, at the Close, Top Treasure and parties acting or deemed to be acting in concert with Top Treasure in connection with the Offer ("Concert Parties") owned, controlled or agreed to acquire (either before or during the Offer and pursuant to the Offer (included acceptances of the Offer) or otherwise) an aggregate of 280,746,302 I-Comm Shares (included 3,000 I-Comm Shares traded but in the course of settlement at the Close), representing approximately 90.64% of the issued share capital of I-Comm at the date of the said announcement.



**VOLUNTARY CONDITIONAL CASH OFFER FOR I-COMM TECHNOLOGY LIMITED** (continued)

Shareholders were also advised that Top Treasure, having received acceptances of the Offer representing more than 90% of the issued share capital of I-Comm, intended to exercise its rights under Section 102(1) of the Companies Act 1981 of Bermuda to compulsorily acquire those I-Comm Shares not acquired by Top Treasure pursuant to the Offer. Top Treasure will proceed to delist I-Comm from the SGX-ST after such compulsory acquisition is completed.

Five Directors, namely Mrs. Chan Pau Shiu Yeng, Shirley, Mr. Jack William Edouard Heuer, Mr. Shigenobu Morita, Mr. Lo Kai Yiu, Anthony and Mr. Jack Schmuckli and certain other Concert Parties, who are connected persons of the Company as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), had accepted the Offer in respect of an aggregate of 3,403,000 I-Comm Shares which acceptances constituted connected transactions for the Company under the Listing Rules. The aggregate value of these transactions has not exceeded 3% of the Company's latest consolidated net tangible assets and on this basis, pursuant to Rule 14.25(1) of the Listing Rules, apart from the announcements made by the Company on September 18, 2002 and December 5, 2002, the Company will disclose details of such connected transactions in its published annual report and accounts for the financial year ending March 31, 2003 in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.

**LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations from internal cash flow. Net cash and deposits at September 30, 2002 were HK\$453.1 million, HK\$56.2 million higher than the corresponding period last year. Net cash and deposits on September 30, 2002 accounted for 42% of shareholders' funds.

The Group has sufficient financial resources to fund its operations, current and future investment needs and development plans.

**CAPITAL STRUCTURE AND TREASURY MANAGEMENT**

The Group is funded entirely by equity and does not have any secured or unsecured long-term debt. Of the short-term bank borrowings of HK\$107.8 million at September 30, 2002, HK\$45.6 million was in relation to bills payable, import loans and bank overdrafts and of the remaining HK\$62.2 million, HK\$39.7 million was for hedging purposes and HK\$22.5 million was a bridging facility for the privatisation of I-Comm Technology Limited.

**CAPITAL STRUCTURE AND TREASURY MANAGEMENT** (continued)

Following the Group's aggressive attitude to managing its cash reserves, long-term bank deposits on yield enhancement products have increased to HK\$218.4 million, from HK\$140.4 million as at March 31, 2002. The average yield on the long-term bank deposits was 6.8%. In order to optimize returns, the Group has extended its maximum tenor limit for such deposits to five years whilst adhering to the requirement of a minimum double A rating.

During the period under review, the major foreign currencies, namely Euro and Sterling, which the Group's transactions are exposed to, have appreciated against the HK dollar. Hence the Group has enjoyed certain exchange gains. Despite this positive trend for the Group, it has maintained its conservative stance on hedging its foreign currency exposures through natural hedges, forward contracts and options.

**CONTINGENT LIABILITIES**

At September 30, 2002, the Group had no contingent liabilities (2001/2002: nil).

**EMPLOYEES AND REMUNERATION POLICIES**

At September 30, 2002, the Group had a total number of approximately 8,600 employees (2001/2002: approximately 7,600 employees) which is about 13% more than the last corresponding period end. The Group has continued to provide staff training to enhance employees' skills and knowledge and adopted Balanced Score Card approach to goal setting and measuring performance. Key management staff has remained stable and committed throughout the period.

The Group recognises the importance of its employees and 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 PRC 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 two of its subsidiaries each has a share option scheme to allow granting of share options to selected eligible employees with reference to their contributions.

**PROSPECTS**

The Group continues to invest for the future with new product introductions and strengthening of its distribution network. It is also studying a number of possibilities to further improve its operational efficiency through better management information systems and supply chain management. Barring unforeseen circumstances, the Directors are confident that the Group will achieve increased profits for the full year.



## APPRECIATION

On behalf of the Directors, I wish to thank our shareholders and business associates for their ongoing support, and extend our appreciation to management team and staff members for their dedication, commitments and contributions throughout the period. We shall continue to commit ourselves to further developing the Group to benefit both our shareholders and employees.

## DIRECTORS' INTERESTS IN SECURITIES

At September 30, 2002, the interests of the directors of the Company and their associates in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register kept under Section 29 of the SDI Ordinance were as follows:

### The Company

Name	Number of ordinary shares of HK\$0.10 each held		
	Personal interests	Family interests	Corporate interests
Raymond Chan	59,132,919	241,956,920 (Note 1)	842,275,225 (Note 3)
Alain Jacques Gilbert Li	3,068,000	–	–
Chan Pau Shiu Yeng, Shirley	70,964,526	901,408,144 (Note 2)	170,992,394 (Note 3)
Shigenobu Morita	2,527,476	–	–
Jack William Edouard Heuer	4,000,000	–	–
Lo Kai Yiu, Anthony	1,424,439	–	–
Kao Ying Lun	–	–	–
Jack Schmuckli	–	–	–
Kenichi Ohmae	–	–	–
Woo Chia Wei	–	–	–

## DIRECTORS' INTERESTS IN SECURITIES (continued)

### Subsidiaries

#### I-Comm Technology Limited

Name	Number of ordinary shares of US\$0.05 each held		
	Personal interests	Family interests	Corporate interests
Chan Pau Shiu Yeng, Shirley	2,278,000 (Note 4)	–	–
Shigenobu Morita	100,000 (Note 4)	–	–
Jack William Edouard Heuer	200,000 (Note 4)	–	–
Lo Kai Yiu, Anthony	300,000 (Note 4)	–	–
Jack Schmuckli	100,000 (Note 4)	–	–

#### IDT-Tech Limited (Note 5)

Name	Number of ordinary shares of HK\$1.00 each held		
	Personal interests	Family interests	Corporate interests
Shigenobu Morita	78,000	–	–

Notes:

1. Mr. Raymond Chan is the husband of Mrs. Chan Pau Shiu Yeng, Shirley whose personal and corporate interests are disclosed as the family interests of Mr. Raymond Chan.
2. Mrs. Chan Pau Shiu Yeng, Shirley is the wife of Mr. Raymond Chan whose personal and corporate interests are disclosed as the family interests of Mrs. Chan Pau Shiu Yeng, Shirley.
3. 842,275,225 ordinary shares were held by Integrated Display Technology Limited, a company incorporated in the British Virgin Islands, and were beneficially owned by Mr. Raymond Chan. 170,992,394 ordinary shares were held by Raymax Time Company Limited, a company incorporated in the British Virgin Islands, and were beneficially owned by Mrs. Chan Pau Shiu Yeng, Shirley.

**DIRECTORS' INTERESTS IN SECURITIES** (continued)

4. Mrs. Chan Pau Shiu Yeng, Shirley, Mr. Shigenobu Morita, Mr. Jack William Edouard Heuer, Mr. Lo Kai Yiu, Anthony and Mr. Jack Schmuckli have each given an irrevocable letter of undertaking on September 18, 2002 to accept the voluntary conditional cash offer (the "Offer") made by Top Treasure Group Limited, a wholly owned subsidiary of the Company, in respect of all their shares held in I-Comm Technology Limited. Further details of the Offer have been disclosed in the section titled "Voluntary Conditional Cash Offer for I-Comm Technology Limited" of this report.
5. At September 30, 2002, IDT-Tech Limited, a subsidiary of the Company incorporated in Hong Kong, was in the course of dissolution.

The interests of the directors of the Company in share options are disclosed in the section titled "Share Option Schemes" of this report.

Save as disclosed above and the details of share options set out in the section titled "Share Option Schemes" below and also certain nominee shares in subsidiaries held by the directors of the Company in trust for the Group, none of the directors of the Company or their associates had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at September 30, 2002, and none of the directors of the Company or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the period.

**SHARE OPTION SCHEMES**

In order to motivate performance and retain human resources to contribute to the growth of the Group, the Company operates a share option scheme which was adopted by shareholders on August 28, 2002 (referred to hereinafter as the "2002 IDT International Option Scheme"), and its two non-wholly owned subsidiaries, IDT Holdings (Singapore) Limited ("IDTS") and I-Comm Technology Limited ("I-Comm"), each also has a share option scheme (referred to hereinafter as the "IDTS Option Scheme" and "I-Comm Option Scheme" respectively). In addition, the Company has an old share option scheme adopted by shareholders on September 28, 1993 (referred to hereinafter as the "1993 IDT International Option Scheme") which was terminated on August 28, 2002 upon the adoption of the 2002 IDT International Option Scheme. Upon termination, no further options have been or will be granted under the 1993 IDT International Option Scheme, but in all other respects, the provisions of the 1993 IDT International Option Scheme remain in force and all options granted prior to termination continue to be valid and exercisable in accordance with the provisions thereof.

## SHARE OPTION SCHEMES (continued)

Particulars of outstanding options at the beginning and at the end of the financial period for the six months ended September 30, 2002 and options granted, exercised, cancelled and lapsed during the period under each of the 1993 IDT International Option Scheme, 2002 IDT International Option Scheme, IDTS Option Scheme and I-Comm Option Scheme are disclosed below.

### (1) 1993 IDT International Option Scheme

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Outstanding at 4.1.2002	Granted during the period	Exercised during the period	Exercise price per share	Lapsed/Cancelled during the period	Outstanding at 9.30.2002	Closing price per share immediately before date of grant
Directors									
Raymond Chan	8.30.2001	3.13.2002 to 8.30.2011	7,000,000	-	-	HK\$0.453	-	7,000,000	-
Alain Jacques Gilbert Li	4.11.2002	4.11.2004 to 4.10.2007	-	1,000,000	-	HK\$0.6545	-	1,000,000	HK\$0.750
Chan Pau Shiu Yeng Shirley	8.30.2001	3.13.2002 to 8.30.2011	2,000,000	-	-	HK\$0.453	-	2,000,000	-
Shigenobu Morita	12.29.1998*	12.30.1999 to 12.29.2008	218,750	-	-	HK\$0.509	-	218,750	-
	12.29.1998*	12.30.2000 to 12.29.2008	218,750	-	-	HK\$0.509	-	218,750	-
Employees									
	12.29.1998*	12.30.1999 to 12.29.2008	1,511,000	-	544,500	HK\$0.509	2,500	964,000	-
	12.29.1998*	12.30.2000 to 12.29.2008	2,405,000	-	962,500	HK\$0.509	262,500	1,180,000	-
	1.12.2001	1.13.2003 to 1.12.2011	150,000	-	-	HK\$0.525	-	150,000	-
	1.12.2001	1.13.2005 to 1.12.2011	150,000	-	-	HK\$0.525	-	150,000	-
			<u>13,653,500</u>	<u>1,000,000</u>	<u>1,507,000</u>		<u>265,000</u>	<u>12,881,500</u>	

\* Share options granted on December 29, 1998 had been adjusted in terms of number and exercise price owing to the two-for-one bonus issue of shares and three-for-four bonus issue of shares made by the Company in October 1997 and August 1999 respectively.

The weighted average price of the shares of the Company issued in respect of options exercised under the 1993 IDT International Option Scheme is HK\$0.75 per share.

**SHARE OPTION SCHEMES** (continued)

**(2) 2002 IDT International Option Scheme**

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Outstanding at 4.1.2002	Granted during the period	Exercised during the period	Subscription price per share	Lapsed/Cancelled during the period	Outstanding at 9.30.2002	Closing price per share immediately before date of grant
Employees	8.30.2002	8.30.2004 to 8.29.2012	-	1,000,000	-	HK\$0.730	-	1,000,000	HK\$0.720
			<u>-</u>	<u>1,000,000</u>	<u>-</u>		<u>-</u>	<u>1,000,000</u>	

**(3) IDTS Option Scheme**

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Outstanding at 4.1.2002	Granted during the period	Exercised during the period	Subscription price per share	Lapsed/Cancelled during the period	Outstanding at 9.30.2002	Closing price per share immediately before date of grant
Directors									
Shigenobu Morita	12.29.1998**	12.30.1999 to 12.28.2003	125,000	-	-	US\$0.616	-	125,000	-
	12.29.1998**	12.30.2000 to 12.28.2003	125,000	-	-	US\$0.616	-	125,000	-
Employees									
	12.29.1998**	12.30.1999 to 12.28.2003	361,250	-	-	US\$0.616	62,500	298,750	-
	12.29.1998**	12.30.2000 to 12.28.2003	1,853,500	-	65,000	US\$0.616	93,750	1,694,750	-
	8.14.2000	8.15.2001 to 8.13.2005	100,000	-	-	\$82.149	100,000	-	-
		8.15.2002 to 8.13.2005	910,000	-	-	\$82.149	137,500	772,500	-
		8.15.2003 to 8.13.2005	200,000	-	-	\$82.149	-	200,000	-
		8.15.2004 to 8.13.2005	810,000	-	-	\$82.149	137,500	672,500	-
	1.12.2001	1.13.2003 to 1.11.2006	155,000	-	-	\$81.424	-	155,000	-
		1.13.2005 to 1.11.2006	155,000	-	-	\$81.424	-	155,000	-
	1.4.2002	1.5.2003 to 1.3.2007	125,000	-	-	\$81.132	-	125,000	-
	1.4.2002	1.5.2005 to 1.3.2007	125,000	-	-	\$81.132	-	125,000	-
			<u>5,044,750</u>	<u>-</u>	<u>65,000</u>		<u>531,250</u>	<u>4,448,500</u>	

\*\* Share options granted on December 29, 1998 had been adjusted in terms of number and subscription price owing to the one-for-four bonus issue of shares made by IDTS in August 1999.

**SHARE OPTION SCHEMES** (continued)

**(3) IDTS Option Scheme** (continued)

The weighted average price of the shares of IDTS issued in respect of options exercised under the IDTS Option Scheme is S\$1.34 per share.

**(4) I-Comm Option Scheme**

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Outstanding at 4.1.2002	Granted during the period	Exercised during the period	Subscription price per share	Lapsed/Cancelled during the period	Outstanding at 9.30.2002	Closing price per share immediately before date of grant
Employees	10.30.2000	10.31.2002 to 10.29.2010	3,150,000	-	-	S\$0.37	550,000	2,600,000	-
		10.31.2004 to 10.29.2010	3,150,000	-	-	S\$0.37	550,000	2,600,000	-
	5.25.2001	5.26.2003 to 5.24.2011	300,000	-	-	S\$0.25	100,000	200,000	-
		5.26.2005 to 5.24.2011	300,000	-	-	S\$0.25	100,000	200,000	-
			<u>6,900,000</u>	<u>-</u>	<u>-</u>		<u>1,300,000</u>	<u>5,600,000</u>	

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period under the 1993 IDT International Option Scheme and 2002 IDT International Option Scheme respectively because the value of share options calculated using theoretical models is subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the models and certain inherent limitations of the models.

**SUBSTANTIAL SHAREHOLDERS**

At September 30, 2002, the register of substantial shareholders kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that, other than the interests disclosed above in respect of the directors of the Company, the Company had not been notified of any interests representing 10% or more of the Company's issued share capital.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

## **AUDIT COMMITTEE**

The members of the audit committee of the Company comprise Mr. Lo Kai Yiu, Anthony (Chairman of the audit committee) and Mr. Kao Ying Lun, both being independent non-executive directors of the Company.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended September 30, 2002 of the Company as disclosed in this report.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended September 30, 2002.

On behalf of the board of directors



**Raymond Chan**

*Chairman & Chief Executive Officer*

Hong Kong  
December 18, 2002

Websites: <http://www.idthk.com>  
<http://www.irasia.com/listco/hk/idt>