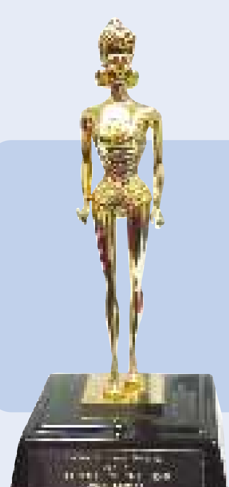
OPERATIONS REVIEW

FOCUSING ON OUR STRENGTHS AND OPPORTUNITIES TO GROW AND PROSPER

At the start of the financial year, both the US and Europe were showing signs of an economic recovery with the expected return of consumer confidence, which unfortunately proved to be a false dawn. The threat of war on Iraq which dominated the world's media in the latter half of the financial year dealt another blow to the already fragile recovery. Although economic conditions in the Group's major markets did not improve, the Group managed to increase sales and profits by focusing on our mission to launch innovative products and building on the strengths of our brands and global distribution network. The following highlights summarise the Group's exemplary results for the year.

- Turnover increased 8% to reach HK$2,410.2 million for the year.
- Oregon Scientific brand sales recorded a 16% increase over the year to break the HK$1 billion level.
- OEM/ODM sales grew by 4%.
- Gross margins were maintained at a healthy 34%.
- Profit from operations was HK$212.1 million, compared to the HK$214.0 million reported last year.
- To support the growth of our Oregon Scientific brand business, the Group's sales expenses increased to HK$310.2 million. However, the sales expenses to sales ratio for the Oregon Scientific business was maintained at the same level as last year.
- Research and development ("R&D") expenses increased by 6% to HK$93.8 million, representing 4% of turnover, which is in line with last year's figures.
- Net profit for the year was HK$150.0 million, an increase of 8% when compared to last year.
- EBITDA was HK$297.1 million for the year under review compared with HK$287.8 million last year. The EBITDA to sales ratio was 12%.



(left to right) Most Innovative Educational Products Award; Licensee of The Year Award; Vendor of The Year Award

- Net cash and deposits balances decreased by HK$119.2 million to HK$533.8 million over the year, mainly as a result of the privatisation of I-Comm Technology Limited.
- Shareholders' funds stood at HK$1,122.8 million.
- Returns on capital employed increased from 12% to 13%.

THE POSITIONING OF THE GROUP'S TWO CORE BUSINESSES – THE TWO BRANDS

The Group's business continues to develop along two distinct but complementary paths. Our core ability as an innovator and manufacturer of many "world's first" products has facilitated our increasing success at building a global consumer brand based on user friendly and affordable consumer electronic products incorporating liquid crystal display and microprocessor technologies.

IDT is positioned as a B2B brand trusted by many world-class companies to take care of their design and manufacturing needs. The business is organised around four product divisions, each fielding its own dedicated product research and development, manufacturing, sales & marketing, logistics and finance teams.

Oregon Scientific is the Group's B2C brand which is gaining a high degree of recognition and consumer confidence for its innovative "lifestyle" consumer electronic products that enhance our customers' daily lives. The business is organised under Oregon Scientific Global Distribution together with its network of 15 sales offices grouped under 4 main regions and a network of authorised distributors. The focus of the sales offices is to develop the Oregon Scientific brand in their local markets with a team of sales and marketing professionals headed by a local Country Manager. The sales offices are supported by finance, logistics and customer service functions.

The IDT Product divisions and Oregon Scientific offices collaborate to determine product and market strategies. The market facing sales offices provide invaluable information on consumer needs and market trends in their local markets. The product divisions are charged with the task of developing and manufacturing innovative, top quality products, differentiated by their leading-edge technology and increasingly in the design and materials used to meet market needs. This collaborative effort makes effective use of all the knowledge available within the Group to further our vision and mission.

(left to right) Trade shows in Munich, Duesseldorf and Hong Kong

The collaborative model also applies to how the product divisions work with OEM/ODM customers as they provide the best solutions to their needs. This is then backed by efficient and cost effective manufacturing operations.

OREGON SCIENTIFIC BREAKS THROUGH ONE BILLION DOLLARS

During the year ended March 31, 2003, the Oregon Scientific business grew by 16% to achieve record sales of HK$1,028.8 million, which represents a significant 43% of the Group's turnover. In terms of individual divisions, Oregon Scientific sales accounted for 64%, 3%, 37% and 64% of the sales of the LCD Consumer Electronic Products ("LCD"), Telecommunication Products ("TEL"), Electronic Personal Information Products ("PIP") and Electronic Learning Products ("ELP") divisions respectively.

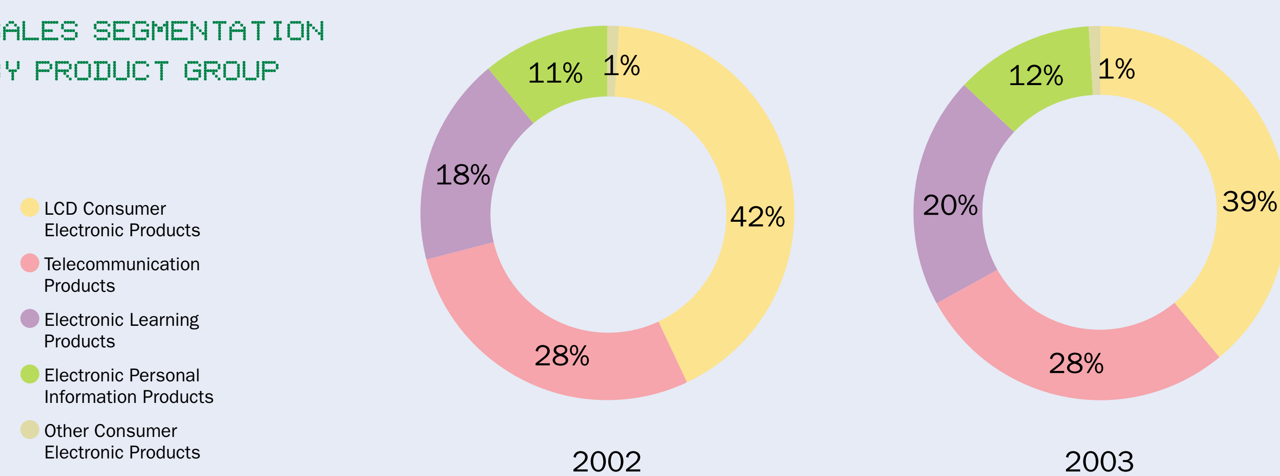
During the year, the Oregon Scientific business was organised into four key regions headed by Regional Presidents. The regions are:

- "North America" to cover the US and Canada
- "EMEA" to cover Europe, the Middle East and Africa
- "Asia Pacific"
- "Latin America"

This year, the US became the largest market for our Oregon Scientific products with a sales turnover of HK$344.0 million. The US was also the fastest growing major market with an impressive growth rate of 50% for the year. The main driver in the US market's growth was the substantial increase in ELP products sales, which increased by 138% to reach HK$185.3 million for the year. The Group still sees tremendous opportunities to further increase our branded business in the US and we have taken steps to strengthen the management team to deliver on this belief.

Spain was the second fastest growing major market for Oregon Scientific products during the year with a growth rate of 47% and a sales turnover of HK$95.1 million. Equally impressive were the results in our UK and French markets where we grew 37% and 21% to record sales turnovers of HK$121.1 million and HK$91.9 million respectively.

SALES SEGMENTATION BY PRODUCT GROUP



In Germany, our total sales suffered a 4% decline to report a turnover of HK$160.4 million due to the adverse economic conditions as well as competitive pressures. Italy, which remains the Group's largest market in Europe with sales of HK$228.3 million, also faced difficult market conditions during the year. However, we believe that these conditions are only temporary and is working diligently to restore both operations to achieve growth as we move forward.

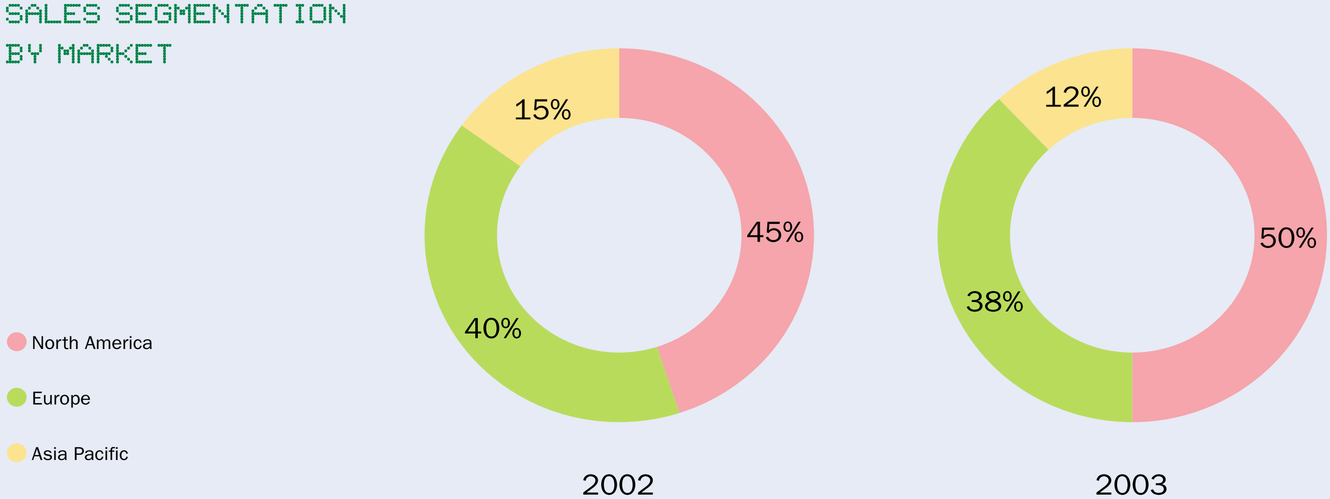
The Asian region and the new team charged with the mission to "bring Oregon Scientific to Asia" passed several important and strategic milestones during the year. First of all, sales in the region reached HK$50.8 million. The Group established a new company to tap the China market under the name "Oregon Scientific Enterprise (Shanghai) Limited". The new team immediately set out to establish a strong identity for the brand through corporate premium opportunities and co-promotional activities.

The Group also set up a representative sales office in Singapore in September 2002 to support distributors in South East Asia. A number of distributors have been appointed and more are targeted over the next 12 months. In Hong Kong, we opened our first flagship image store in Asia. A second Asian store is planned for Shanghai in the second quarter of the 03/04 financial year. These initiatives are being supported by focused public relations activities to raise the awareness of Oregon Scientific products to the brand conscious Asian countries.

Outside these major markets, it is worth noting that the Oregon Scientific business in Australia has grown by more than 100% to achieve a sales figure of HK$22.8 million. Although this is a solid step forward, the Group sees a much higher potential for the brand in Australia and the management team has been strengthened to materialise that potential.

Our subsidiary in Brazil, established last year, is now up and running after some initial delays in setting up the logistics and administrative operations. We have however seen a high level of consumer interest in the wide range of Oregon Scientific products and we expect to see good growth in the next year. The Brazilian office is also taking responsibility for the Latin American market and is working on the appointment of distributors in Mexico and Chile to further the reach of the Oregon Scientific brand.

SALES SEGMENTATION BY MARKET



OPERATIONS REVIEW

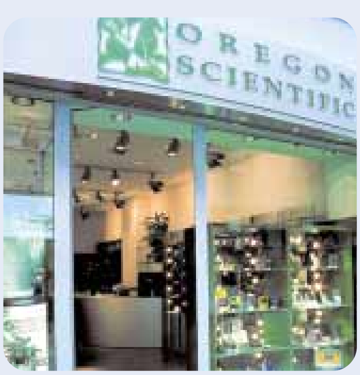
Reaffirming our proven distribution strategy and visibility concept, we have developed and grown the Oregon Scientific brand into a billion dollar business in less than six years since the Group acquired a 100% interest in the brand. We are both confident and determined to extend this success by increasing our dedicated points of sale cabinets. The Group believes that these will enhance brand visibility, which will in turn stimulate consumer demand with our dealers and distributors while also providing an excellent basis for gathering market information and gauging local consumer preferences.

To support the growth in Oregon Scientific sales which also yield higher margins, the Group continues to invest in sales and marketing activities. This accounts for the increase in sales expenses during the year. At the same time however, we have been able to maintain our administrative costs at the same level as last year.

One of the key challenges in operating a distribution business is the demand chain and working capital management. Aiming to improve logistics for Oregon Scientific operations in Europe, the Group set up a centralised European Distribution Centre in Duisburg, Germany to hold stock for subsidiaries in Italy, France, Germany, Spain and the UK. Major benefits include savings in inventory holdings through the sharing of buffer stocks, deferments in the payment of duties and VAT by using a bonded warehouse system and reductions in distribution costs through the consolidation of shipments, which also give us higher bargaining power for preferential rates.

OREGON SCIENTIFIC POINTS OF SALE ("POS")

Region	Number of POS	POS with Oregon Scientific display cabinets	% of POS with Oregon Scientific display cabinets
North America	12,000	250	2%
EMEA	31,330	2,761	9%
Asia Pacific	265	97	37%
Latin America	1,100	200	18%
Total	44,695	3,308	7%




(left to right) Oregon Scientific flagship store in Milan and Hong Kong respectively; franchise shop in Rome

LCD CONSUMER ELECTRONIC PRODUCTS DIVISION

During the financial year, the LCD division achieved HK$930.3 million in sales, which is in line with last year's sales of HK$931.6 million. This accounted for approximately 39% (2002: 42%) of the Group's total turnover and remains the largest business segment for the Group. Sales of Oregon Scientific brand products grew by 3% to reach HK$591.8 million, whilst sales of the Huger brand decreased by 53% to HK$18.8 million. Oregon Scientific sales accounted for 64% of the LCD division's sales for the year, compared to 62% last year.

This year, the LCD division launched 115 new products, which accounted for 27% of its total sales on a divisional basis. The division currently has 102 new products under development, including two co-branded product lines to be launched in 2004. The co-branding strategy will provide the Group with a competitive advantage and higher margins. As the division recently entered into a significant OEM contract with an existing customer, we expect our OEM business to report growth in the 03/04 financial year.

TELECOMMUNICATION PRODUCTS DIVISION

The TEL division saw sales increase by 13% to HK$705.1 million over the financial year. Owing to the increase in sales to Europe, the division reduced its dependence on the North American market, with the sales contribution dropping from 93% of total sales last year to 89% this year.

During the year, the division began to capitalise on the Oregon Scientific brand and its extensive European distribution network. Sales under the Oregon Scientific brand rose to HK$21.8 million which accounted for 3% of the division's total sales. These sales mainly came from two product lines. One is an indoor cordless phone known as the Weather DECT, which is an 1.8GHz Digitally Enhanced Cordless Telephone ("DECT") equipped with a weather forecast station. The second leading Oregon Scientific telecommunication product is the Private Marine Radio.

Whilst sales of the 900MHz analogue phones have fallen, the division managed to increase the sale of more advanced phones, such as the 2.4GHz analogue and 1.8GHz digital cordless phones. Sales of these products at the division level increased by HK$265.4 million to HK$297.9 million over the year.

The division extended its product range to cover conference phones through a partnership arrangement with a European technology development company. During the year, it sold conference

(left to right) RF Projection Clock with Light-Torch; Body Weight Monitor with Body Fat Index; Outbreaker – Multifunctional Watch with Altimeter, Bike Computer and Heart Rate Monitor phones under an OEM arrangement for this European developer and plans to produce more such products under private customer labels.

In January 2003, this division was successfully privatised and de-listed from the Singapore Exchange Securities Trading Limited. It is now able to benefit fully from the economies of scale and the cost efficiencies that have arisen from being fully integrated within the Group. On administrative and legal fees alone, we estimate that we will save about HK$3 to 4 million per annum.

The division has about 43 new products currently under development.

ELECTRONIC PERSONAL INFORMATION PRODUCTS DIVISION

The PIP business grew 8% in the face of volatile economic consumer demand, tight supply conditions, and tough competition to achieve sales of HK$281.0 million. Of its total sales, the Oregon Scientific brand accounted for 37%, down from last year's 44%. The year saw significant increases in the sale of digital cameras, a product which has been supported by investments in R&D, sales & marketing and clean room facilities. To some extent, this increase has offset the decline in volume and sales prices for the organisers and databank categories.

During the year, the division released its premium digital camera series with CCD sensors and more advanced features and continued to deliver its "slim" series including the award-winning card-size cameras in volume both for the Oregon Scientific and private label brands. The division has also introduced a new, more economically priced value series to the market.

In addition to the digital camera rollout, several new products in the digital voice recorder categories were released. All of them are equipped with PC connectivity and other features customised for executives and students. Led by sales of these new products, this product category continues to contribute significant revenues.

The division recorded a loss for the year in view of lower margins on end of life product categories, inventory disposals, factory relocation costs and start up costs related to the new clean room facility. The division is expected to return to profit in 03/04 financial year.



(left to right) Weather DECT Phone; Conference Telephone; Transceivers

The PIP division is well positioned to expand rapidly with the launch of its next digital imaging products and numerous digital audio models developed for both private labels and the Oregon Scientific brand. Also in the pipeline are several ODM projects being undertaken for major worldwide consumer electronic brands.

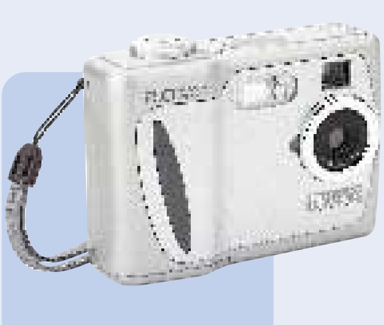
ELECTRONIC LEARNING PRODUCTS DIVISION

The ELP division maintained its growth momentum to achieve an impressive increase of about 19% in sales to reach HK$477.8 million. This was mainly attributable to the popularity of its Oregon Scientific and licensed products, which enjoyed a 63% increase in sales to HK$304.4 million. Sales of these products accounted for 64% of the division's total sales, compared to 47% last year.

Once again, the division has proven its winning formula, fusing its ELP products with the appeal of popular licensed characters together with the innovative design and educational content created by our in-house team. Among its recent successes, the division won four significant awards – "Licensee of the Year" presented by Mattel, Inc.; "Vendor of the Year" presented by Toys "R" Us, Inc.; "Most Innovative Educational Products" by Positive Image News and Reviews and "Best Vacation Products for 2003" by Dr Toy.

On the other hand, because of its heavy dependence on the Japanese market, which is still suffering from the economic downturn, the OEM side of the business suffered a 20% drop in sales to HK$173.4 million. The division has successfully cultivated new OEM customers in the second half of the financial year and expects to resume growth going forward.

In addition to the launch of the new Barbie™ and Hot Wheels™ products in partnership with Mattel Inc. during the year, the division introduced a unique platform that combines touch-sensitive books with TV-interactive activities. The Barbie™ licensed flagship product is a pen-touch driven electronic book that is connectable to TV to provide animated lessons. Under the Oregon Scientific brand, the division also entered into a development and licensing agreement with Flying Rhinoceros Inc., an educational content developer renowned for its high academic standards and unique illustrations catering to junior school age children. Focused on creating character-based products with a commitment to innovative design, the division is confident of achieving further successes into the future.



(left to right) 2 Mega Pixel Digital Camera; 2 Mega Pixel Slim Size Digital Camera; 6mm Card Size Digital Camera

RESEARCH AND DEVELOPMENT

R&D expenses incurred by the Group increased from last year's HK$88.6 million to HK$93.8 million for the financial year. As a percentage of sales, this is equivalent to 4% in both years. The number of engineers at the R&D centre in Shekou, China increased from 53 last year to 130 as at March 31, 2003, whilst the Group's total number of R&D engineers reached 528.

MANUFACTURING

Manufacturing cost controls and operational efficiencies have always been key focuses for the Group and have become especially important under the prevailing business environment. The continued drive to improve cost efficiencies has led to the re-evaluation of our manufacturing operations on a regular basis.

Following the relocation of the PIP division's production facilities in Xixian, Shenzhen, China during the year, the Group completed the consolidation of manufacturing facilities which are now centralised in Xixian. Our total manufacturing facilities, including administration offices but excluding staff dormitories, occupy an area of approximately 98,000 square meters. To strengthen our digital imaging product manufacturing capabilities, a clean room facility was upgraded to Class 100 standards with air-shower chambers.

We see our relationships with vendors as being as important as our relationships with customers, since this is key to controlling material costs, timeliness and quality of supplies. As such, a strategic sourcing plan has been implemented to build up strategic partnerships with a selected group of vendors to optimise supply chain activities to achieve lower costs, greater availability and flexibility. This group of strategic vendors were selected based on a number of key attributes such as product quality and innovation, product pricing, timeliness of delivery and after sales services. We aim to create partnerships with strategic suppliers based on mutual interests and common values. These strategic partnerships have become powerful tools that enhance our capability to deliver quality, reliability and innovation to our ever growing and increasingly sophisticated customer base.

During the year, the Group invested a total of HK$20.6 million in capital expenditure to enhance manufacturing facilities and support projects. This consisted of HK$1.7 million for the replacement of computer equipment and factory renovations; HK$5.3 million for the expansion and upgrading of production facilities; and HK$13.6 million for tooling and mould making.

(left to right) Barbie™ B-Creative Education Centre; Hot Wheels™ Accelerator; The Big Brain Book - Interactive Encyclopedia

PROACTIVE MEASURES TO PREVENT THE OUTBREAK OF SARS

Since the outbreak of the Severe Acute Respiratory Syndrome ("SARS") epidemic in China and Hong Kong in early April 2003, the Group has been undertaking a series of preventive measures in the workshop areas. These include the setting up of anti-SARS guidelines; daily monitoring of employees' health conditions; keeping medical doctors on duty 24 hours a day at the in-house clinic; sterilising the workplace on a more frequent basis and providing free facemasks to all employees. To date, there has not been a single case of SARS reported within the Group.

INFORMATION TECHNOLOGY

The Group regards and applies information technology ("IT") as an important management tool. Our IT department consists of about 30 professionals based in Hong Kong and Xixian providing daily operations support as well as the development of management information systems. During the year under review, we rolled out a knowledge management system ("KMS") to facilitate web-based exchanges of knowledge amongst all participants involved at every stage of a project, such as in the development of a product. This platform has greatly enhanced the control and effectiveness of project management.

We are in the process of selecting an advanced enterprise resources planning ("ERP") system to be installed to manage all the different functions within the organisation. The initial phase system will roll out to integrate our global sales and distribution networks with a view to strengthening the control of inventories, production planning and time to market. As an organisation dedicated to continuous improvement, we continue to develop and make effective use of management information. Over the past few years, we have substantially increased the analytical work performed on our databases with the manual operation of standard software and simple programming. For example, we perform regular reviews of our inventories to identify possible over-stocking of buffer stocks. We also prepare rolling forecasts of customer orders to aid and improve stock replenishment schedules. The ERP system, when in place, will automate these processes to further increase efficiencies.

KYOSHA UPDATE

During the year under review, the printed circuit board ("PCB") industry continued to face the problem of surplus production capacity, thus maintaining the downward pressure on PCB prices. As a result, the profit contribution from Kyosha Holdings (Singapore) Limited ("Kyosha") dropped by 16% to HK$3.2 million over the year. During its financial year ended December 31, 2002,

Factory facilities and production lines

Kyosha saw the average sales price of its single-sided PCBs drop by 11%. As the production of silver through-hole double-sided PCBs only commenced in the latter half of 2002, the low utilisation of capacity could not fully absorb the increase in fixed overheads, resulting in the profit reductions for the year. With this enhanced capability in place and a stabilising worldwide economy, Kyosha is confident it will maintain its competitive position.

MAINTAINING A COMMITTED AND CAPABLE WORKFORCE

As at March 31, 2003, the Group had a total of approximately 7,750 employees, compared with 6,700 employees on the same day last year. The increase was mainly due to the increase in factory workers in line with increased production volumes.

We continue to maintain and upgrade the capabilities of our workforce by providing staff training. Following the introduction of the Balanced Scorecard approach in setting goals and measuring performances last year, we saw significant improvements in discipline and the quality of work.

We fully recognise the importance of our employees who contribute so significantly to the success of our business. We offer remuneration packages in line with industry practices, which are subject to annual review. Bonuses are awarded to employees based both on individual and Group performances. Other staff benefits include medical insurance and a mandatory provident fund. In Xixian where we centre our production facilities and at Shekou where we maintain our research and development resources, staff welfare is in line with prevailing labour laws in China. Both the Company and our Singapore listed subsidiary, IDT Holdings (Singapore) Limited, each have an employee share option scheme, which grant share options to selected eligible employees to reward them for their contributions and to align their interests with that of the shareholders.

DISCIPLINED FINANCIAL MANAGEMENT

The Group continues to finance operations from internal cash flows during the year. Net cash and deposits balances as at March 31, 2003 stood at HK$533.8 million, compared to HK$653.0 million last year. The reduction was mainly due to the cash used for the privatisation of I-Comm Technology Limited. Had the privatisation not taken place, the net cash balances would have been at around the same level as last year. The Group has sufficient financial resources to fund our operations, current investment needs and development plans. These are funded entirely by equity and we do not have any secured or unsecured long-term debt. Short-term bank borrowings

Factory premises and facilities

of HK$57.3 million as at March 31, 2003 were in relation to bills payable, import loans, revolving bank loans and bank overdrafts.

Trade receivables have increased by 18% to HK$293.3 million due to the increased sales of Oregon Scientific products and the strengthening of the Euro. However, this represents a reduction of 38% from the balance reported at September 30, 2002 even though sales increased by 2% during the second half of the financial year. There have not been significant bad debt provisions and the increase in trade receivables over the year has come about in a well-controlled manner. Therefore, although balances overdue for less than 90 days have increased by 19% to HK$288.0 million, those overdue for more than 90 days have decreased. The Group maintains a very stringent credit policy. Terms of trade are normally based on letters of credit with the exception of sales between member companies of the Group or to selected customers who have long established business relationships and strong financial positions.

The Group's inventory levels increased by 13% to HK$338.9 million over the year due to the strengthening of the Euro. Stock turnover has only increased by 2 days to 78 days when compared with last year. This indicates the effectiveness of the Group's swift action to manage inventories in difficult times. From the interim reporting date of September 30, 2002, inventory levels have actually decreased by 34%.

At the same time, as we have been able to improve credit terms from our vendors through proactive negotiations and the establishment of strategic relationships, trade payables have increased by 13% to HK$162.5 million.

Given the interest rate environment during the year and the expected trend for the foreseeable future, the Group has increased high yield deposits with financial institutions from last year's HK$140.4 million to HK$237.9 million at the end of March 2003. The average yield for these deposits has also increased from last year's 5.3% per annum to 6.8%. These deposits were placed with institutions with a minimum double A rating and with a tenor of five years. These instruments do carry a level of risk where interest earned could be nil if certain conditions are met.

(left to right) Production lines; electronical discharge machine; computer numeric control (CNC) machine

The Group's exposure to foreign currency mainly arises from the translation of inter-company balances between local manufacturing divisions and our sales and distribution subsidiaries overseas. We actively hedge our foreign currency exposures through natural hedges, forward contracts and options. As at March 31, 2003, we had forward contracts and options in place to hedge against possible exchange losses from the translation of intra-group balances. During the year, we also took out an Australian dollar denominated revolving loan amounting to A$8.0 million (HK$37.7 million) as a natural hedge against the balance receivable from our wholly owned subsidiary in Australia. Speculative currency transactions are strictly prohibited. The management of currency risk is centralised in the Group's headquarters in Hong Kong.

Since the war on Iraq has ended and the SARS epidemic has been contained, the world economy should be heading for a recovery. However, both the strength and timing of such a recovery are still uncertain.

FUTURE PROSPECTS

To stay on track for further growth, the Group will continue to invest in expanding the Oregon Scientific business and our OEM/ODM customer base. To remain competitive in terms of innovation and pricing, we are committed to keeping our R&D capacity at the forefront of the latest technologies whilst maintaining tight controls on overall operating costs. The Group is also in the process of upgrading our information systems to further improve our operational efficiencies.

Having achieved earnings growth in the last two years despite adverse economic conditions, we are proud of our resilience and timely and proactive action which have improved the Group's prosperity. The Group is thus confident that, barring unforeseen circumstances, we will continue to deliver a satisfactory performance in the year ahead.

Alain Jacques Gilbert Li
Executive Director & Chief Financial Officer

June 18, 2003
Hong Kong