

OPERATIONS REVIEW





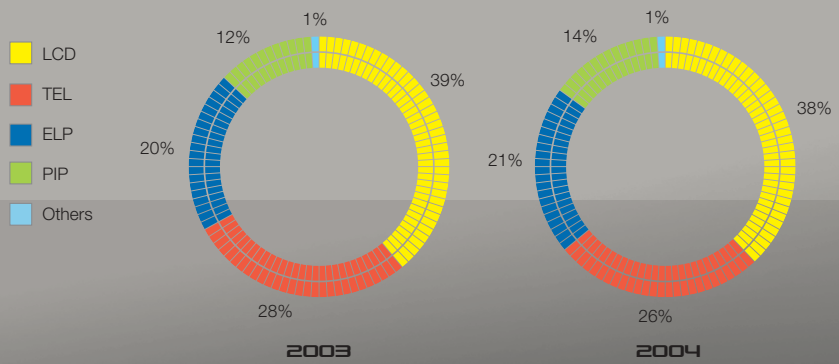
PATTERN OF STRONG AND CONSISTENT GROWTH

Despite the many challenges the market faced during the year, IDT has achieved an outstanding performance and consistent growth for the past year as evidenced by its key performance figures.

- Turnover increased by 14% to HK\$2,757.3 million.
- Oregon Scientific brand sales grew by 36%.
- Gross margin rose by 6 points to 40%.
- Profit from operations stood at HK\$339.0 million, against HK\$212.1 million last year, an increase of 60%.
- Sales and marketing expenses rose by 37% to HK\$425.7 million, driven by investment in headcount to drive sales and increased licence fees for co-branded and licensed products.
- R&D expenses increased by 6% to HK\$99.7 million, representing approximately 4% of turnover.
- Net profit for the year reached HK\$250.8 million, an increase of 64% over that of the previous year's.
- EBIDTA was HK\$421.4 million for the year, compared with HK\$297.1 million in 2003. The EBIDTA to sales ratio was 15%.
- Net cash and deposits balances rose by HK\$111.2 million over the year to stand at HK\$645.0 million at year end.
- Shareholders' funds stood at HK\$1,245.3 million.
- Returns on capital employed improved from 14% to 20%.

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SALES BY PRODUCT GROUP



IDT AND OREGON SCIENTIFIC A Symbiotic Relationship

"IDT", the Group's B2B brand, provides its ODM and OEM services to major electronics corporations around the world. Its portfolio comprises a wide range of electronic equipment that incorporates superb product designs with state-of-the-art liquid crystal display and microprocessor technology. The brand's key areas of expertise and product focus are embodied in its four different divisions each with their own teams specialising in product development, design and engineering, manufacturing, sales and marketing, as well as logistics and finance. All of them are supported by the Group's consolidated manufacturing facilities located in Xixian, Shenzhen, China.

The Group is also the proud owner of the acclaimed B2C brand Oregon Scientific. Featuring innovative consumer electronic products of stylish designs, the brand enjoys high levels of consumer recognition and confidence. Designed with the needs of consumers in mind, Oregon Scientific products are known and appreciated for their innovative features and benefits that enhance the quality of life of its users.

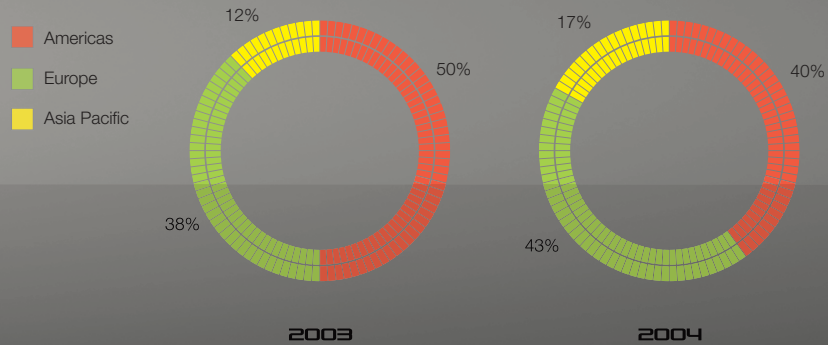
Products carrying the Oregon Scientific brand are developed in collaboration with the four business divisions of IDT. The sales offices of Oregon Scientific provide the latest information on market trends and consumer needs in local markets while IDT's product divisions apply their expertise in product design, development and manufacturing to produce innovative products that fit Oregon Scientific's extraordinary profile. Together, the two brands have been able to create products that stand out in style, material and application of leading edge technologies.

In 2003, sales under the IDT and Oregon Scientific brands each contributed about half of the Group's total turnover.

OREGON SCIENTIFIC The Group's Global Lifestyle Brand

Capitalising on the popularity of its 'Smart Clocks' and 'Home Weather Stations' among consumers, Oregon Scientific has expanded market coverage and broadened its product portfolio considerably in recent years to gain increasing international exposure. Synonymous with distinctive design and technological innovation, Oregon Scientific is becoming a powerful global brand. Its products are attractive and practical and meet the diverse daily needs of consumers in areas such as time keeping and weather forecast, sports and healthcare, electronic learning and telecommunications. The brand is managed by Oregon Scientific Global Distribution Limited, which also co-ordinates a network of 15 sales offices across four main geographical regions and the activities of authorised distributors.

SALES BY MARKET



In the year under review, the sales of Oregon Scientific products grew by 36% to reach HK\$1,399.7 million, representing 51% of the Group's turnover. In terms of contribution to individual product divisions, Oregon Scientific sales accounted for 67% of the LCD Consumer Electronic Products division, 9% of the Telecommunication Products division, 55% of the Electronic Personal Information Products division, and 70% of the Electronic Learning Products division. Growth in sales of Oregon Scientific products, which typically command higher profit margins, has a direct positive impact on the Group's gross margin.

Geographically, the US has been Oregon Scientific's fastest growing market followed by Italy. In the year under review, sales in the US market saw a 56% increase. Growth in sales has also been rapid in the UK, Spain and Australia, the latter being one of the newest markets for Oregon Scientific products. The new and dynamic management team in Australia was able to achieve impressive results including a 46% growth in sales. While the US market responded particularly well to the launch of Oregon Scientific's range of digital cameras and electronic learning products, sales in Europe were driven by strong interest in the newly launched Philippe Starck and Ferrari Collections of Oregon Scientific products.

As for the Asian market, besides further strengthening its presence through expansion of its distribution network, Oregon Scientific opened image shops in Hong Kong and Shanghai in the past year. The brand now has a solid platform for growth in this market which has immense development potential.

Recognising that the success of Oregon Scientific hinges on consumer awareness of the brand and effectiveness of its distribution channels, the Group undertook investment to strengthen its global marketing team and conducted marketing campaigns to increase brand recognition. Key marketing and publicity efforts, including sponsoring of sports events and participation in international trade shows, have generated extremely positive market response. The number of points of sale has been increased to maximise exposure of the brand in the retail environment and, at the same time, its distribution network has been expanded by adding new distributors.

DEFINING AN ACTIVE LIFESTYLE The LCD Consumer Electronic Products Division

The development of innovative timekeeping and weather forecast equipment, sports and fitness and personal healthcare products is the core competency of the Group's LCD Consumer Electronic Products division. The division is dedicated to ensuring every product it creates fully matches the needs of its customers, who embrace active lifestyles and appreciate new technologies, and are environment and health conscious. The success of the division's product philosophy is reflected in its record-breaking growth in sales and earnings in the past year. The strong demand for the Group's sports and fitness products and the success of co-branded products with Philippe Starck and Ferrari in the European and Asia Pacific markets were the major boosts for the division's impressive performance.

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As the largest sales contributor among IDT's four business divisions, the LCD division reported an all-time high turnover exceeding HK\$1 billion (2003: HK\$930.3 million). This represents a rise of 13% over the previous year, constituting 38% of the Group's overall turnover (2003: 39%). Overall sales under Oregon Scientific brand accounted for 67%, an increase from the 2003 figure of 3 points. ODM/OEM sales also rose by 5% over the previous year.

The division launched 179 products last year, including the world-first Weather Station with Color Screen which garnered a '2004 CES Design and Engineering Showcase Award'. New measurement devices including pulse meters, blood pressure meters and heart rate monitors were new additions to its highly successful sports, fitness and healthcare products range while its classic timing and weather products continued to find strong markets. With consistently strong customer demand across its product ranges, the division expects continuous growth.

ENHANCING COMMUNICATION The Telecommunication Products Division

Instant access to information is a vital ingredient for business success today. The Group's Telecommunication Products division is hence committed to seeking out diverse technologies to integrate with telecommunications devices. Emphasising quality and application of new technologies, the division is actively developing solutions to effectively meet the telecommunications needs of business customers. Conference phones for global businesses, and two-way communicators that can operate outside or apart from mobile networks are examples of such products.

Operating in a highly competitive market, the division takes pride in achieving a very encouraging performance last year. While the 2.4GHz and 900MHz cordless phones were the largest contributors to the sales of the division, it has made significant efforts and achievements in the development and production of niche telecommunications products, such as kitchen and garage phones. Its transceiver business also recorded good sales boosted by the popularity of the marine radios. The superb quality of the division's products has won the acclaim of major customers. It received a 'Best Quality Vendor of the Year' award from Radioshack and a 'Best Vendor of the Year' award from Sanyo last year.

The overall sales performance of the division increased last year by 3% over the previous year, amounting to HK\$724.2 million (2003: HK\$705.1 million). The division launched 27 new products during the year. Sales under the Oregon Scientific brand amounted to 9%, a significant rise from last year's 3%. The division's sales made up 26% of the Group's turnover, compared with 28% in the previous year. The improved performance reflects the success of the division in increasing its customer base outside the US and expanding its product portfolio during the year.



**CAPTURING SOUND
AND IMAGE**
The Electronic Personal
Information Products
Division

The capability to capture, store and play back music, photos, images and voice is much sought after by consumers today. Heeding this growing trend and the high visibility of related products, the Electronic Personal Information Products division is focused on combining style and technology across its product range. Its collection of digital cameras, voice recorders and databanks have always been known for their remarkable designs and market-leading applications.

The launch of higher value digital cameras and digital voice recorders during the year accounted for the strong performance of the division. The market saw the introduction of some of the world's smallest and slimmest digital cameras and recorders with advanced features by the division. Benefiting from the full operation of the Group's new clean room this year, the division was able to achieve higher levels of precision and sophistication in the production of digital cameras.

The division recorded sales of HK\$384.6 million in 2004, representing a rise of 37% over the HK\$281.0 million of the previous year, and making up 14% of the Group's turnover. It launched 14 new products in the year. Sales through Oregon Scientific rose considerably to HK\$212.3 million, contributing 55% of the total sales for the division, a rise from 37% in the previous year. Marketwise, the US contributed the highest sales to the division.

**EDUCATION THROUGH
ELECTRONICS**
The Electronic Learning
Products Division

Recognising the enormous potential of electronic devices for children education, the Group's Electronic Learning Products division is committed to creating products that are challenging, stimulating, interesting, and fun for children to use. From laptops to organisers to the innovative site 'safe-site.net' on Oregon Scientific's web service, its range of products and services provide a massive array of learning functions across all subjects. The division is constantly updating its learning products to reflect advances in technology and in educational practices and trends.

To assist the development of new lines of products that meet the US national education standards, the Group forged a strategic partnership with Flying Rhinoceros Inc. last year. The increased sales of its licensed 'Barbie' products in the US market testified to the successful partnership.

Total sales for the Electronic Learning Products division amounted to HK\$585.5 million in 2004, a 23% increase from previous year's figure, and a contribution of 21% of the Group's turnover. Sales under the Oregon Scientific brand reached HK\$407.2 million, making up 70% of the division's total sales, a rise from last year's 64%. 16 new products were launched in the year.

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R&D The Leading Edge

Supported by over 500 product development engineers and designers based in Hong Kong, Shekou and Xixian serving all four business divisions, IDT boasts a consistent track record of over 150 product launch every year. Besides product development, the R&D team also plays an important part in improving and refining the Group's production processes to speed up time to market.

In the year under review, R&D investment of the Group was maintained at 4% of its total sales as in the last two years. The investment reflected the Group's commitment to strengthen its product development and engineering capabilities, retaining its leading edge in the industry. Two notable achievements of the Group's R&D experts in the year were the pioneering development of the world's first color weather station, and the world's slimmest voice recorder.

To centralise its operation, the Group is constructing a new building for its R&D Centre in Xixian scheduled to be completed for operation in the 2005/06 financial year. The 5-storey new R&D Centre featuring the most advanced design will stand next to the existing factory buildings in Xixian. Funded entirely by the Group's internal resources, the total investment costs of the centre are budgeted at HK\$54.7 million, HK\$41.3 million of which will be spent in 2004/05.

The Group sees investment in R&D as crucial for its continued success. The R&D team is expected to assume yet a more active and prominent role as the Group continues to widen its product portfolio.

SHOWCASE MANUFACTURING FACILITIES

Located in Xixian, Shenzhen, China, and meeting international standards at all operation levels, the Group's consolidated manufacturing facilities have contributed significantly to effective costs control and operational efficiencies of the Group. But that is not all, they are also proof of the Group's commitment to providing the best possible working environment for its staff.

Spreading over 98,000 square metres, production facilities are centralised allowing the Group to fully control all and every aspect of production. Employing the latest and best equipment and technology, the Group is able to streamline operations hence significantly reduce costs in different areas in manufacturing and transportation. Outsourcing to factories with outstanding track records helps improve cost efficiencies and maintain competitiveness. During the year, the Group invested HK\$21.8 million into its manufacturing facilities, mainly for renovations and replacement and upgrading of equipment. The year under review saw the first full year of operation of the Group's clean room for the manufacture of digital imaging products. The facility has enabled the Group to expand its camera product range as well as enhancing the overall quality of its cameras.



The Group's in-house facilities for surface mounting, wire-bonding, precision plastic moulding, mould making and plastic injection are fully integrated allowing it better control on production lead time, quality and costs.

The Xixian facilities also serve as a showcase of the Group's commitment to enhancing the working conditions and welfare of its staff. Warm approvals are often received from international visitors who are impressed with both the state-of-the-art manufacturing facilities and the working conditions for staff, notably the high standards of accommodation and leisure facilities. In the past year, a new staff canteen has been added to improve staff catering.

INFORMATION TECHNOLOGY

To continuously enhance communication among its operations located around the world and ensure management has first instance access to market and operational information, the Group's 30-strong IT team is constantly looking at new information technologies and their application possibilities. Based in Hong Kong and Xixian, the team provides operational support on a day-to-day basis to the Group and oversees the on-going development of the Group's management information systems. In the year under review, the Group launched the first phase of an SAP enterprise resources planning (ERP) system to integrate IT functions across the organisation.

HUMAN RESOURCES

As at March 31, 2004, the Group had approximately 7,600 employees against 7,750 at the same time the year before. Staff training has been an important focus of the Group, and over the year a number of training schemes were implemented. Adopting the Balanced Scorecard approach for setting staff goals and measuring performance, the Group has seen continuous improvements in work quality.

The Group's employee remuneration packages are in line with industry norms, and are subject to annual review. Bonuses are awarded to employees based on both individual performance and the Group's overall results each year. Other staff benefits include medical insurance and a mandatory provident fund. Accommodation and leisure facilities are also provided to staff at the Group's Xixian production facilities and its Shekou R&D Centre. Both the Company and listed Singapore subsidiary IDT Holdings (Singapore) Limited have an employee share option scheme which grants share options to eligible employees as a reward for their contributions and a way of aligning their interests with those of shareholders.

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KYOSHA

Kyosha Holdings (Singapore) Limited ("Kyosha Singapore") was an associate of the Group. On November 26, 2003, a wholly owned subsidiary of a major shareholder of Kyosha Singapore announced its intention to make a voluntary conditional cash offer for all the issued ordinary shares in the capital of Kyosha Singapore at an offer price of S\$0.20 per share in cash. On December 1, 2003, it was announced that a mandatory conditional cash offer had been triggered. Following its acceptance of the cash offer, the Group has disposed of its entire interest comprising 67,621,000 ordinary shares of Kyosha Singapore. Kyosha Singapore thus ceased to be an associate of the Group.

A CAREFULLY CONTROLLED FINANCIAL POSITION

During the year, the Group continued to finance its operations from internal cash flows. Balances for net cash and deposits as at March 31, 2004 stood at HK\$645.0 million (2003: HK\$533.8 million). The Group has sufficient financial resources to fund its operations, its current and future investment needs, and its development plans. These are funded entirely by equity, and the Group has no secured or unsecured long-term debts. As at March 31, 2004, the Group's short-term bank borrowings of HK\$184.4 million were in relation to bills payable, import loans, revolving bank loans used as natural hedges against foreign exchange fluctuation and bank overdrafts.

Trade receivables increased by 13% to HK\$331.4 million from the increased sales of Oregon Scientific products and the strengthening of the Euro. There have not been significant bad debt provisions. The Group maintains a very stringent credit policy. Terms of trade are normally based on letters of credit and open account to selected customers who have long business relationships with the Group and are in strong financial position.

The Group's inventory levels increased by 53% to HK\$518.5 million over the year due to higher levels of raw materials and work in progress which are required to meet customer demands. Stock turnover has increased from 78 days to 112 days when compared with last year.

The Group had a total of HK\$296.4 million in high yield deposits with financial institutions at year end, as compared with HK\$237.9 million for the previous year. All these deposits were placed with institutions with a minimum double A rating for a period of ten years or less. As with all investments, these high yield deposits carry a level of risk which could result in nil interest being earned under certain conditions, however there is no risk of loss to the principal amount.

The Group actively hedges its foreign currency exposure through a combination of natural hedges, forward contracts and options. At March 31, 2004, forward contracts and options were in place to hedge against possible exchange losses from its net currency exposures. Speculative currency transactions are strictly prohibited. The management of currency risk is centralised in the Group's Hong Kong headquarters.

**FROM STRENGTH TO
STRENGTH**
Upcoming Initiatives and
Future Prospects

The strong performance of the Group in the past 12 months was the result of effective ongoing strategies and efforts. To consolidate progress made to date and gather further momentum for growth, the Group will implement a number of initiatives in the coming year.

To further strengthen the Oregon Scientific brand, the Group plans to undertake a rebranding exercise to update the Oregon Scientific logo and associated material which will help to position the brand more vividly as a leader in integrating cutting edge design and technologies. At the sales and distribution level, the Group will consolidate areas of its operations that have performed well. This will include efforts to further promote and support the achievement of excellence at all points of sale of Oregon Scientific products, optimisation of existing distribution channel strategies, and dedicated efforts to open up the US market that promises tremendous development potential. The Group also plans to open new stores in Hong Kong while continuing to explore the China market which holds substantial longer-term value for future development.

The Group's ODM/OEM business is well-established and has earned the trust of many international enterprises. Customers have returned again and again to the Group for its superb products epitomising innovative product ideas, powerful R&D support, and world-class production capabilities. The growing customer base and the many long-term relationships enjoyed by the Group with its ODM/OEM customers point to continued bright prospects for the Group's operations.

To ensure roll out of exciting and innovative new products which is vital to the IDT's future success, the Group will maintain its commitment to product development across all its divisions, and strengthen its design and product development capabilities through continuous investment in both equipment and skilled personnel. In the coming year, the Group will also relocate its R&D Centre in Shekou to its consolidated Xixian facilities for increased efficiency.



Alain Jacques Gilbert Li
Executive Director & Chief Financial Officer

May 27, 2004
Hong Kong