OPERATIONS REVIEW

OVERVIEW

The Group's turnover reached a new record of HK$2,894.7 million, driven by a 14% increase in our core LCD Consumer Electronic Products division and a 51% increase in the Digital Media Products division. However the Telecommunications Products division recorded a decline of 25% in turnover due to the competitive market in the US, which accounts for its largest customer. The Group launched a string of new award winning products, and saw good growth coming from a number of its newer markets including Asia Pacific, Brazil and Australia.

FINANCIAL INFORMATION

Turnover of the Group for the year ended March 31, 2005 was HK$2,894.7 million, representing an increased of 5% from the previous financial year. Oregon Scientific branded sales increased by 2% to HK$1,427.1 million, which accounted for 49% of the Group's turnover and ODM/OEM sales increased by 8% to HK$1,467.6 million.

Gross profit decreased by 4% to HK$1,054.5 million while gross profit margin decreased from 40% to 36%. The decrease in gross profit margin was attributable to two factors. One was the higher mix of ODM/OEM sales, namely 51% of turnover compared with 49% of turnover last year. Another was the higher mix of Digital Media Products sales in ODM/OEM business, namely 28% of ODM/OEM sales compared with 13% of ODM/OEM sales last year.

OPERATIONS REVIEW

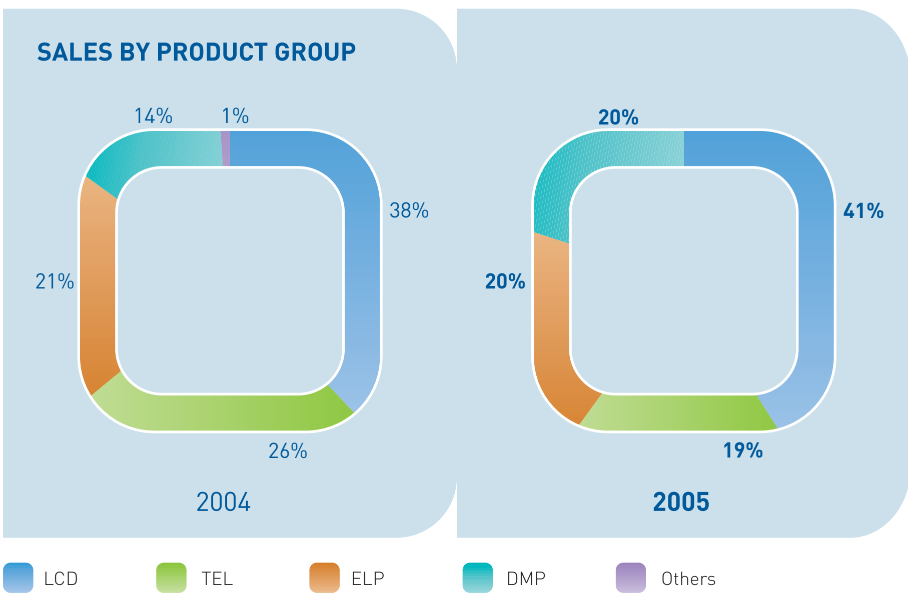
FINANCIAL INFORMATION
(Continued)

Profit from operations was HK$200.4 million, compared with HK$339.0 million last year. Total operating expenses increased by 13% to HK$902.3 million, representing 31% of sales. R&D expenses increased by 10% to HK$109.7 million, selling expenses increased by 17% to HK$500.0 million and administrative expenses increased by 6% to HK$292.6 million. Whilst maintaining sound control on administrative expenses, the Group strategically increased its investments in staff costs and facilities of its product development and sales and marketing operations to support future growth. As a percentage of sales, administrative and R&D expenses were maintained at 10% and 4% respectively whereas selling expenses were 17%, compared with 15% last year.

Profit attributable to shareholders for the year ended March 31, 2005 was HK$130.0 million, representing a decrease of 48% as compared with last year.

OREGON SCIENTIFIC

Oregon Scientific continued to build on the Group's strategy of establishing a unique lifestyle electronic brand based on the fusion of technology, design and innovation in products that serve people's daily needs. The brand positioning and strategy was augmented in FY 2005 by the launch of the new logo, packaging and merchandising hardware and software. The Group has also established a matrix structure to address the many opportunities by business units/ divisions and channels and has invested in additional headcount to drive those opportunities going forward. These initiatives have been necessary investments as the brand prepares to move into its next phase.



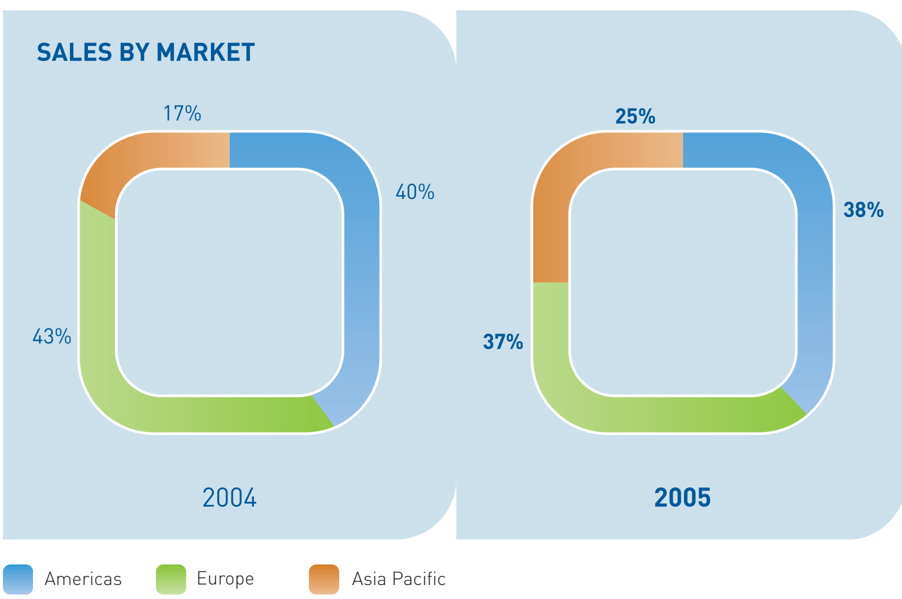
OREGON SCIENTIFIC
(Continued)

Following an impressive growth of 34% in FY 2004, Oregon Scientific achieved sales growth of 2% to reach HK$1,427.1 million, representing 49% of the group's turnover. The brand recorded growth in LCD Consumer Electronic Products and Telecommunications Products of 13% and 3% respectively but saw a decline in Digital Media Products of 21% and Electronic Learning Products of 4%.

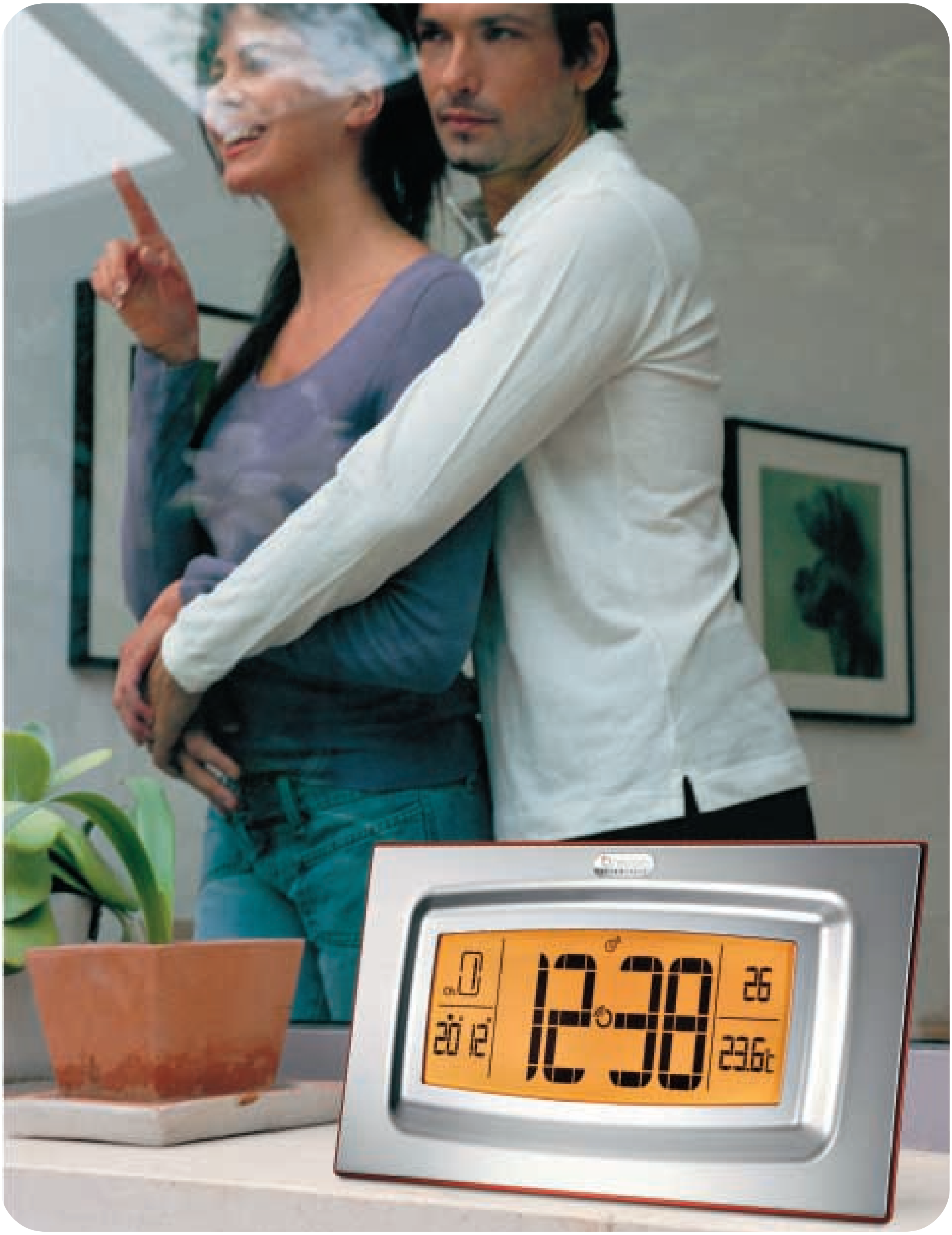
Sales in Europe were the same as last year's level. Within the region, France and Spain achieved sales growth in all Oregon Scientific branded products. On the other hand, both UK and Germany were affected by the weakening economic conditions and internal organisational restructuring. Italy recorded satisfactory growth in both Digital Media Products and Electronic Learning Products, however, its strategic move from selling to distributors to direct selling to retailers in some channels led to a decrease in LCD Consumer Electronic Products business.

The US recorded an increase of 57% in LCD Consumer Electronic Products through its effort in developing major retailer accounts this year. Its Digital Media Products and Electronic Learning Products sales were lower because of increased competition and pricing pressures. Brazil achieved growth in the sales of all Oregon Scientific branded products and posted an increase of 222% over last year's sales.

In Asia Pacific, total branded sales were up by 74%. Australia grew by 39% by increased channel coverage for LCD Consumer Electronic Products and Digital Media Products whereas Hong Kong, China and Singapore continued to build the brand by increasing the number of retail stores from 3 to 12 during the year.



OPERATIONS REVIEW
LCD CONSUMER ELECTRONIC PRODUCTS DIVISION



The Group's long tradition of innovation and pioneering products in time and weather and now sports and fitness continues to prove successful with increase in sales and operating profits. The Group however is facing new entrants in the market and increased competition and must continue to offer not only winning products but unrivalled services.

The division develops over 150 new products each year under three categories, namely smart timing devices, weather stations and sport & fitness. With the appropriate collection of products carefully mapped to customers' needs and tastes, the LCD Consumer Electronic Products division has been focusing its efforts on developing a market driven approach to product development. The division has also invested resources in developing a collection of child care products leveraging on its competence in sensing and wireless applications to bring unique innovative functions. This new range will be launched in 2005 and has already received favourable feedback from the Group's trade partners.

The LCD Consumer Electronic Products division recorded sales of HK$1,199.2 million, up 14% from last year. It accounted for 41% of the Group's turnover and remained the largest division of the Group. Oregon Scientific branded sales accounted for 66% of the division's total sales for this year. Whilst the branded sales in Europe were lower than last year, the significant growth in the US and Asia Pacific delivered an overall increase of 13% as compared with last year. The division's ODM/OEM sales also grew by 17% over last year as a result of more product offerings, particularly in time and weather and sport and fitness categories, to both new accounts and existing accounts.

OPERATIONS REVIEW
TELECOMMUNICATIONS PRODUCTS DIVISION

The Group's Telecommunications Products division is committed to developing state of the art products incorporating diverse technologies and attractive designs to develop solutions that are not only functional but easy to use and fitting the contemporary lifestyles. The division has received a number of prestigious awards for its products in the year including the lifestyle mirror phone (the world first Cordless Phone with VFD display and a mirror LCD screen). Emphasising on quality and application of new technologies, the division is also actively developing solutions to meet the needs of business customers and telecommunication service providers.

The division's main products are home based analogue and digital cordless telephones, PMR's (private mobile radios) and marine radio products. The division has developed its capability in VoIP (voice over internet protocol) and DECT (digital enhance cordless telecommunication) technologies in order to meet the expected growth in the market for these products in future.

The division's sales decreased by 25% to HK$542.2 million for the year and represented 19% of Group's turnover, down from 26% last year. During the year, sales of the Oregon Scientific brand were HK$68.6 million, which accounted for 13% of the division's total sales, up from 9% last year. The lower sales were due to the fierce competition in the US cordless phone market and less sales to another major customer in the telecommunication operator market. However, encouraging growth was achieved in transceiver product market this year.

OPERATIONS REVIEW
DIGITAL MEDIA PRODUCTS DIVISION

The growing global market for digital imaging and digital music devices is one that is fiercely contested by a number of substantial and renowned players. Whilst the generic growth and appeal of digital media products to consumers is widely recognised so are the challenges which are characterised by fast moving technology, falling market prices and shortage of key components combined has created an environment where profitability is a challenge for even the most highly recognised brands and leading companies in the field.

The division has focused its efforts on developing unique world first products that address specific consumer needs and create differentiation in the market that rises above the clutter of products which compete head to head on technology and price alone. This philosophy has enabled the division to launch products such as the MP100 model which is the world's smallest MP3 player with LCD display and the MP120 model, the world first waterproof MP3 player. Many of the products have won praise from journalists and the trade alike not to mention our end customers. In the area of digital imaging, the division has gained a number of important ODM customers, one of which has launched a disposable digital camera that has immense potential in terms of addressable market, given its first mover advantage in this market.

The division recorded sales of HK$582.3 million, representing 20% of the Group's turnover and an increase of 51% from last year. Sales through Oregon Scientific accounted for 29% of this division's sales, compared with 55% last year. On the other hand, ODM/OEM sales recorded an increase of 140% to HK$413.7 million. The division was successful in providing large volume of new products to some new major accounts. The new accounts accounted for more than 3 quarters of ODM/OEM sales. However, the margin of Digital Media Products was extremely competitive. Price erosions on digital camera and MP3 player products were very significant to meet with the competition. Consequently the sales generated could not cover the cost base. The Group is scaling the business to achieve right sizing, consolidating its digital camera and MP3 player product line up and planning to launch new product category to turnaround the operating loss situation and return the division to profit.

OPERATIONS REVIEW
ELECTRONIC LEARNING PRODUCTS DIVISION

Recognising the enormous potential of electronic devices for children's education, the Group's Electronic Learning Products division is committed to creating products that are 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.

The year under review has been a year of consolidation following rapid growth in recent years. In addition to extending the Group's license with Ferrari to learning products, the Group has been actively searching out new licences. The division has successfully acquired the license to develop electronic learning products under the Batman license which will be launched in the new financial year.

The Electronic Learning Products division recorded sales of HK$563.5 million for the year, representing 20% of the Group's turnover and a decrease of 4% from last year. Sales under the Oregon Scientific brand were HK$392.2 million, which accounted for 70% of the division's total sales. Both Oregon Scientific branded sales and ODM/OEM were down by 4% respectively as compared with last year. The division is planning for a number of new product launches this summer which have been receiving very positive responses from the market. Moreover, the Group is confident that ODM/OEM business will grow in the new fiscal year through development of new accounts and more sales generated from existing accounts.

OPERATIONS REVIEW

RESEARCH & DEVELOPMENT AND MANUFACTURING FACILITIES

Supported by over 500 product development engineers and designers based in Hong Kong and Xixian, Shenzhen, China serving all four business divisions, the Group 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.

To centralise its operation, the Group constructed a new building for its R&D in Xixian which was completed in April 2005. This 5-storey new R&D centre has a total floor area of approximately 12,000 square metres featuring the most advanced design stands adjacent to the existing factory buildings in Xixian. Funded entirely by the Group's internal resources, the total investment costs for the R&D centre are approximately HK$54.7 million.

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.

Located in Xixian and meeting international standards at all operation levels, the Group's consolidated manufacturing facilities and the new R&D centre ("Xixian 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 85,000 square metres, Xixian Facilities are centralised allowing the Group to fully control all and every aspect of production and administration. 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.

RESEARCH & DEVELOPMENT AND MANUFACTURING FACILITIES

(Continued)

Surface mounting, wire-bonding, precision plastic moulding, mould making and plastic injection are fully integrated in-house at the Xixian Facilities allowing it better control on production lead time, quality and costs. In preparation for the imposition of new regulations in Europe on the Restriction on Hazardous Substances (RoHS), the Group's equipment is already fully compliant with the requirements.

The Xixian Facilities also serve as a showcase of the Group's commitment to enhancing the working conditions and welfare of its staff. Complements 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.

FINANCIAL RESOURCES AND WORKING CAPITAL

The Group's working capital at March 31, 2005 amounted to HK$675.9 million, down 17% from last year. Compared with the balances at the end of last year, inventories and trade receivables increased by 42% and 6% respectively whereas trade payable dropped by 15%. The substantial increase in inventories was due to increase in work in progress to meet the shipment of Digital Media Products division's ODM/OEM orders in April 2005 and higher level of finished products in overseas sales offices to support the continuous development of its market position in particular for LCD Consumer Electronic Products and to cater for shorter delivery lead time requirement in the course of changing from distribution to selling direct to retailers. The Group is proactively reviewing its entire supply chain and is implementing measures to reduce the levels of inventory. These include sell-through analysis to enhance inventory planning, rationalisation of product line up to optimise inventory holding and global product launch to co-ordinate product development, production and sales and marketing for more effective inventory control.

The Group generally finances its operations from internal cash flow. Net cash balances at March 31, 2005 were HK$183.5 million, which was HK$461.5 million lower than the balances recorded at the end of last year. The decrease in net cash balances was mainly due to the increase in inventories and receivables.

OPERATIONS REVIEW

FINANCIAL RESOURCES AND WORKING CAPITAL (Continued)

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

The Group is funded entirely by equity and there is no secured or unsecured long-term debt. Short-term bank borrowings of HK$420.2 million as at March 31, 2005, compared with HK$184.8 million last year, were in relation to bills payable, import loans, revolving bank loans used for currency hedging purposes and bank overdrafts.

Having considered the interest rate environment and capital needs, the Group had placed HK$296.4 million on high yield deposits with financial institutions as at March 31, 2005, same amount of last year. The average yield for these deposits was 4.5% per annum. These deposits were placed with institutions with a minimum double A rating. These instruments do carry a level of risk because interest earnings could be nil if certain conditions are met.

The Group's exposure to foreign currency mainly arises from the net cash flow and net working capital translation of its overseas subsidiaries. Hedging of foreign currency exposures is actively done through natural hedges, forward contracts and options. As at March 31, 2005, there were forward contracts in place to hedge against possible exchange losses from future net cash flows. Speculative currency transactions are strictly prohibited. The management of currency risk is centralised in the Group's headquarters in Hong Kong.

HUMAN RESOURCES

As at March 31, 2005, the Group employed a total of approximately 7,650 employees (2004: approximately 7,600 employees). The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training.

The Group fully recognises the importance of its employees who contribute significantly to its success. The Group's employee remuneration packages are in line with industry norms, which are subject to annual review. Bonuses are awarded to employees based on both individual and the Group's overall performance each year. Other staff benefits include medical insurance and mandatory provident fund. In Xixian, Shenzhen, China where the Group centres its production facilities and research and development resources, staff welfare rates are set with reference to the prevailing labour laws in China. Both the Company and its Singapore listed subsidiary, IDT Holdings (Singapore) Limited, have employees' share option schemes, which grant share options to selected eligible employees to reward them for their contributions and to align their interests with that of the shareholders.

PROSPECTS

The Group has accomplished a series of milestones during the year which strengthened the fundamentals of the Group for future growth.

With regards to the Oregon Scientific branded business, the Group invested in expanding its overseas sales and marketing organisation. Hence, the Group has greater manpower and facilities to develop more direct to retail channels, supported by a higher level of brand awareness, more effective marketing approach, stronger effort to cultivate key accounts, better visual merchandising of its products and more high traffic locations for point of sales. The success in retail store strategy in Asia Pacific reinforces the Group's future direction in rolling out retail store to US and Europe to support future growth in sales. The Group has planned for a series of new product launches including Batman licensed electronic learning products, audio products and youth electronic products.

The Group continues to strengthen its competence in ODM/OEM business by building up a research and development centre in Xixian to cater for increased investment in engineering resources and to provide an environment that has the best facilities and environment for successful product development. Leveraging on the new facilities, strong product development teams and new major accounts developed in this fiscal year, the Group will focus on further developing the business of each of its product divisions.

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

May 26, 2005
Hong Kong