



IDT International Limited

萬威國際有限公司

(Incorporated in Bermuda with limited liability)

Interim Report

2006

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 state-of-the-art liquid crystal display and microprocessor technology.

PERFORMANCE HIGHLIGHTS

- Turnover decreased 11% to HK\$1,197.0 million.
- Sales of Oregon Scientific increased 17% to HK\$691.3 million, representing 58% of the turnover. Double-digit growth was recorded in the US, Brazil and Asia Pacific.
- ODM/OEM sales amounted to HK\$505.7 million, representing 42% of the turnover.
- Electronic Learning Products reported a 29% increase in sales under Oregon Scientific and a 14% increase in sales under ODM/OEM.
- One-off stock provision of HK\$78.3 million was made for MP3 players, digital cameras, LCD Consumer Electronics Products and Telecommunications Products.
- Net loss was HK\$184.2 million.

UNAUDITED INTERIM RESULTS

The directors (the "Directors") of IDT International Limited (the "Company") would like to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended September 30, 2005 together with the unaudited comparative figures for the corresponding periods in 2004.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended September 30,		Three months ended September 30,		Year ended March 31,
	Notes	2005 (Unaudited) HK\$'m	2004 (Restated) HK\$'m	2005 (Unaudited) HK\$'m	2004 (Restated) HK\$'m	2005 (Restated) HK\$'m
Turnover	2	1,197.0	1,346.0	642.2	838.6	2,894.7
Cost of goods sold		(937.9)	(862.9)	(516.3)	(524.4)	(1,886.7)
Gross profit		259.1	483.1	125.9	314.2	1,008.0
Other operating income		20.2	20.9	12.7	14.9	48.2
Research and development costs		(64.7)	(50.1)	(36.8)	(25.2)	(109.7)
Distribution and selling expenses		(247.5)	(189.9)	(134.1)	(122.3)	(500.1)
Administrative expenses		(138.5)	(121.9)	(77.7)	(68.5)	(246.3)
(Loss) profit from operations	3	(171.4)	142.1	(110.0)	113.1	200.1
Interest on bank and other borrowings wholly repayable within five years		(9.9)	(4.8)	(5.7)	(2.6)	(12.9)
(Loss) profit before taxation		(181.3)	137.3	(115.7)	110.5	187.2
Taxation	4	7.6	0.2	4.2	1.1	(0.5)
Net (loss) profit for the period		(173.7)	137.5	(111.5)	111.6	186.7
Attributable to:						
Equity holders of the parent		(184.2)	105.1	(112.6)	87.9	129.7
Minority interests		10.5	32.4	1.1	23.7	57.0
		(173.7)	137.5	(111.5)	111.6	186.7
Interim dividend	5	N/A	(62.5)	N/A	N/A	N/A
Earnings per share	6					
- basic (HK cents)		(8.84)	5.0	(5.44)	4.2	6.2
- diluted (HK cents)		(8.83)	5.0	(5.43)	4.2	6.2

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At September 30, 2005 (Unaudited) HK\$'m	At September 30, 2004 (Restated) HK\$'m	At March 31, 2005 (Restated) HK\$'m
Non-current assets				
Investment properties		14.8	6.4	14.8
Property, plant and equipment		307.0	282.1	318.0
Intangible assets		87.5	92.5	81.8
Goodwill		30.1	24.0	26.4
Long-term bank deposits		273.0	296.4	296.4
Deferred tax assets		84.7	71.2	78.8
		797.1	772.6	816.2
Current assets				
Inventories		617.6	791.6	734.5
Property held for resale		1.6	1.6	1.6
Trade and other receivables	7	642.7	678.4	465.0
Forward asset		10.7	-	15.3
Taxation recoverable		11.1	0.4	6.8
Bank balances and cash		309.6	272.4	307.3
		1,593.3	1,744.4	1,530.5
Current liabilities				
Trade and other payables	8	597.3	683.7	421.5
Bills payable		41.5	51.9	26.1
Obligations under finance leases due within one year		0.1	0.1	0.1
Forward liability		-	5.9	-
Taxation payable		17.4	39.4	13.0
Short-term bank loans		570.5	208.4	393.9
Bank overdrafts		-	7.4	-
		1,226.8	996.8	854.6
Net current assets		366.5	747.6	675.9
Total assets less current liabilities		1,163.6	1,520.2	1,492.1
Non-current liabilities				
Obligations under finance leases due after one year		0.2	0.1	0.1
Deferred tax liabilities		20.2	28.7	27.8
		20.4	28.8	27.9
Net assets		1,143.2	1,491.4	1,464.2
Capital and reserves				
Share capital	9	208.5	208.5	208.5
Reserves		684.5	1,019.2	979.6
Equity attributable to equity holders of the parent		893.0	1,227.7	1,188.1
Minority interests		250.2	263.7	276.1
Total equity		1,143.2	1,491.4	1,464.2

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent									
	Share capital (Unaudited) HK\$'m	Share premium (Unaudited) HK\$'m	Employee share-based		Capital reserve (Unaudited) HK\$'m	Translation reserve (Unaudited) HK\$'m	Revenue reserve (Unaudited) HK\$'m	Total (Unaudited) HK\$'m	Minority interests (Unaudited) HK\$'m	Total (Unaudited) HK\$'m
			Properties revaluation reserve (Unaudited) HK\$'m	compensation reserve (Unaudited) HK\$'m						
At April 1, 2004 (originally stated)	208.2	67.4	27.9	-	6.9	8.1	926.8	1,245.3	271.9	1,517.2
Prior period adjustment - share-based payments	-	-	-	0.1	-	-	(0.1)	-	-	-
At April 1, 2004 (restated)	208.2	67.4	27.9	0.1	6.9	8.1	926.7	1,245.3	271.9	1,517.2
Issue of shares	0.3	1.4	-	-	-	-	-	1.7	-	1.7
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	-	-	-	-	-	0.7	-	0.7	-	0.7
Net profit for the period	-	-	-	-	-	-	105.1	105.1	32.4	137.5
Movement during the period	-	-	-	-	-	-	-	-	(10.2)	(10.2)
2004 final dividend paid	-	-	-	-	-	-	(125.1)	(125.1)	(30.4)	(155.5)
At September 30, 2004	208.5	68.8	27.9	0.1	6.9	8.8	906.7	1,227.7	263.7	1,491.4
At April 1, 2005 (originally stated)	208.5	68.8	27.9	-	6.9	6.8	869.2	1,188.1	276.1	1,464.2
Prior period adjustment - share-based payments	-	-	-	0.4	-	-	(0.4)	-	-	-
At April 1, 2005 (restated)	208.5	68.8	27.9	0.4	6.9	6.8	868.8	1,188.1	276.1	1,464.2
Issue of shares	-	0.3	-	-	-	-	-	0.3	-	0.3
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	-	-	-	-	-	(7.1)	-	(7.1)	(1.2)	(8.3)
Net (loss) profit for the period	-	-	-	-	-	-	(184.2)	(184.2)	10.5	(173.7)
Movement during the period	-	-	-	-	-	-	-	-	(5.2)	(5.2)
Employee share option benefits	-	-	-	0.2	-	-	-	0.2	-	0.2
2005 final dividend paid	-	-	-	-	-	-	(104.3)	(104.3)	(30.0)	(134.3)
At September 30, 2005	208.5	69.1	27.9	0.6	6.9	(0.3)	580.3	893.0	250.2	1,143.2

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended September 30,	
	2005 (Unaudited) HK\$'m	2004 (Restated) HK\$'m
Net cash from (used in) operating activities	14.1	(118.6)
Net cash used in investing activities	(46.1)	(51.3)
Net cash from (used in) financing activities	39.1	(96.9)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	7.1	(266.8)
Cash and cash equivalents at April 1	307.2	530.9
Effect of foreign exchange rate changes	(4.7)	0.9
	<hr/>	<hr/>
Cash and cash equivalents at September 30	309.6	265.0
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents:		
Bank deposits, bank balances and cash	582.6	568.8
Bank overdrafts	-	(7.4)
	<hr/>	<hr/>
	582.6	561.4
Less: Long-term bank deposits	(273.0)	(296.4)
	<hr/>	<hr/>
	309.6	265.0
	<hr/>	<hr/>

Notes:

1. **Basis of preparation and accounting policies**

The Directors are responsible for the preparation of the Group's unaudited interim financials. The unaudited interim financials have been prepared in accordance with the new Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), and accounting principles generally accepted in Hong Kong.

The HKICPA has issued a number of new or revised HKAS and HKFRS (herein collectively referred to as "new HKFRSs") which are generally effective for accounting periods beginning on or after January 1, 2005. The principal accounting policies adopted in preparing these financial statements are consistent with those adopted in the Group's annual audited consolidated financial statements for the year ended March 31, 2005 except for those mentioned below.

(a) **Share-based Payments**

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. HKFRS 2 has been applied retrospectively for share options granted to employees after November 7, 2002 and had not yet vested on April 1, 2005. Following the adoption of this accounting policy, the opening balance on the Group's revenue reserve at April 1, 2005 has been decreased by HK\$0.4 million (April 1, 2004: HK\$0.1 million). In addition, the amount of employee share-based expenses of approximately HK\$0.2 million were charged to the income statement for the six months ended at September 30, 2005 (2004: nil).

(b) **Business Combinations**

In the current period, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which agreement date is on or after April 1 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from April 1, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after April 1, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. Following the adoption of this accounting policy, the Group's profit for the six months ended September 30, 2005 increased by HK\$0.8 million as no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

(c) **Financial Instruments**

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after January 1, 2005, generally not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Financial assets and financial liabilities other than debt and equity securities

From April 1, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Derivatives and hedging

From April 1, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit and loss for the period in which they arise.

The Group has not early applied the new HKFRSs that have been issued but not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

2. Segment information

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

	Turnover		Contribution to (loss) profit from operations	
	Six months ended September 30,		Six months ended September 30,	
	2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m
Sales and manufacture of:				
LCD Consumer Electronic Products	475.2	537.3	(25.0)	93.1
Telecommunication Products	147.1	327.6	(40.1)	24.5
Digital Media Products	211.9	184.6	(116.7)	(25.7)
Electronic Learning Products	360.3	291.5	11.7	37.3
Other consumer electronic products	2.5	5.0	(1.0)	2.4
	1,197.0	1,346.0	(171.1)	131.6
Interest income			3.6	11.0
Unallocated corporate expense			(3.9)	(0.5)
(Loss) profit from operations			(171.4)	142.1

An analysis of the Group's turnover by geographical market is as follows:

	Turnover	
	Six months ended September 30,	
	2005 HK\$'m	2004 HK\$'m
Americas	527.2	596.7
Europe	412.8	472.8
Asia Pacific	257.0	276.5
	1,197.0	1,346.0

3. (Loss) profit from operations

	Six months ended September 30,	
	2005 HK\$'m	2004 HK\$'m
(Loss) profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	35.0	29.6
Amortisation of intangible assets	32.1	19.8
Loss on disposal of property, plant and equipment	2.4	2.5
and after crediting:		
Interest income	3.6	11.0
	3.6	11.0

4. Taxation

The credit (charge) consists of:

	Six months ended September 30,	
	2005 HK\$'m	2004 HK\$'m
Hong Kong Profits Tax	(7.6)	(16.5)
Tax in other jurisdictions	0.1	(4.7)
Deferred taxation credit	15.1	21.4
	7.6	0.2

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

With regard to the protective assessments (the "Protective Assessments") relating to years of assessment from 1999/00 to 2003/04 that were raised to one of the Group's subsidiaries on its offshore tax claim, the Group, with the advice from its tax advisor, is in the process to agree on an appropriate basis of settlement with the Hong Kong Inland Revenue Department (the "HKIRD"). The Directors have been advised by its tax advisor, based on the subsidiary's current mode of operation, the HKIRD should conclude that no profits tax is in fact payable by the subsidiary in question and no provision for profits tax in respect of the Protective Assessments will be necessary. No provision for Hong Kong Profits Tax had been made in the financial statements of the Group for the first half of FY2005/06 in respect of the Protective Assessments. The Group cannot predict when this issue will be resolved and further announcement will be made once an appropriate basis of settlement has been agreed with the HK IRD and the extent of tax liability has become transpired.

5. Interim dividend

The Directors have resolved not to declare any interim dividend for the period (2005: 3.0 HK cents per share in cash).

6. Earnings per share

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

	Six months ended September 30,	
	2005 HK\$'m	2004 HK\$'m
Net (loss) profit for the period attributable to shareholders and earnings for the purposes of basic earnings per share	(184.2)	105.1
Effect of dilutive potential ordinary shares: Adjustment to the share of profits of a subsidiary based on dilution of its earnings per share	-	-
Earnings for the purpose of diluted earnings per share	<u>(184.2)</u>	<u>105.1</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,085,007,328	2,084,119,306
Effect of dilutive potential ordinary shares: Share options	1,465,338	3,529,979
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,086,472,666</u>	<u>2,087,649,285</u>

7. 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:

	At September 30, 2005 HK\$'m	At March 31, 2005 HK\$'m
Not yet due	397.5	287.9
Overdue less than 31 days	67.3	32.4
Overdue 31 to 90 days	18.5	19.8
Overdue more than 90 days	3.3	12.5
	<u>486.6</u>	<u>352.6</u>
Other receivables	156.1	112.4
	<u>642.7</u>	<u>465.0</u>

8. Trade and other payables

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

	At September 30, 2005 HK\$'m	At March 31, 2005 HK\$'m
Not yet due	108.3	140.9
Overdue less than 31 days	44.1	50.6
Overdue 31 to 90 days	21.3	6.5
Overdue more than 90 days	7.5	6.8
	<hr/> 181.2	204.8
Other payables	416.1	216.7
	<hr/> 597.3	421.5

9. Share capital

	Number of shares	Amount HK\$'m
At April 1, 2005	2,084,725,907	208.5
Issue of shares on the exercise of share options	500,000	-
At September 30, 2005	<hr/> 2,085,225,907	208.5

10. Contingent liabilities

At September 30, 2005, the Group had no contingent liabilities (2004: nil).

BUSINESS REVIEW

Results for the three months ended September 30, 2005

Turnover of the Group for the three months ended September 30, 2005 was HK\$642.2 million, representing a decrease of 23% from the corresponding period of the previous financial year. Oregon Scientific branded sales were 10% higher than the corresponding period last year, accounting for 63% of the Group's turnover, compared with 44% for the corresponding period last year. The growth was attributed to a 53% increase in the sales of Digital Media Products and a 23% increase in the sales of Electronic Learning Products. ODM/OEM sales were 50% lower than the corresponding period last year and accounted for 37% of the Group's turnover. ODM/OEM sales in Digital Media Products, Telecommunications Products and LCD Consumer Electronic Products dropped 86%, 65% and 23% respectively compared with the corresponding period last year.

One-off stock provision of HK\$78.3 million was made in this quarter:

- Owing to the fierce market competition, approximately 70% of the one-off stock provision was made to cover the losses to be incurred in liquidating the inventory of MP3 players and digital cameras of Oregon Scientific. After thorough consideration, the Group is committed to developing and manufacturing unique lifestyle products with higher margins than MP3 players and digital cameras. Hence, limited investments will be made with regard to the development of carefully selected new MP3 and digital camera products under profitable business model.
- Stock provision on Telecommunications Products was made on obsolete items for the changes in product strategy on the development of new main stream product categories including broadband, VoIP and other new wireless technology telephony products.
- Selective stock provision on some LCD Consumer Electronic Products was also made to reflect the fair value of the inventory in the course of inventory clearance at repositioned prices.

The Group recorded a gross profit of HK\$125.9 million compared to HK\$314.2 million last year. The gross profit margin before and after the one-off stock provision was 32% and 20% respectively in comparison with the gross profit margin of 37% last year.

Loss from operations was HK\$110.0 million, compared with profit from operations of HK\$113.1 million for the corresponding period last year. Total operating expenses increased by 15% to HK\$248.6 million, representing 39% of sales in comparison with last year's 26%. Selling expenses increased by 10% to HK\$134.1 million and administrative expenses increased by 13% to HK\$77.7 million. The 46% increase in R&D expenses to HK\$36.8 million was mainly attributable to the one time write-off of product development costs for aborted projects, totalling HK\$7.5 million.

Net loss attributable to equity holders for the three months ended September 30, 2005 was HK\$112.6 million, compared with profit of HK\$87.9 million in the corresponding period last year. Excluding the one-off stock provision and the R&D expenses written off, the net loss of this period was HK\$26.8 million.

Results for the six months ended September 30, 2005

Turnover of the Group for the six months ended September 30, 2005 was HK\$1,197.0 million, representing a decrease of 11% from the corresponding period of the previous financial year. Oregon Scientific branded sales were 17% higher than the corresponding period last year, accounting for 58% of the Group's turnover, compared with 44% for the corresponding period last year. The growth was attributed to a 111% increase in the sales of Digital Media Products and a 29% increase in the sales of Electronic Learning Products. ODM/OEM sales were 33% lower than the corresponding period last year and accounted for 42% of the Group's turnover. ODM/OEM sales in Electronic Learning Products increased 14% whereas Telecommunications Products, Digital Media Products and LCD Consumer Electronic Products dropped 64%, 24% and 19% respectively compared with the corresponding period last year.

As a result of the one-off stock provision of HK\$78.3 million made to fully cover the financial impact from the inventory clearance in MP3, digital camera, Telecommunications Products and LCD Consumer Electronic Products categories, gross profit decreased by 46% to HK\$259.1 million. The gross profit margin before and after the one-off stock provision was 28% and 22% respectively in comparison with the gross profit margin of 36% last year.

Loss from operations was HK\$171.4 million, compared with profit from operations of HK\$142.1 million for the corresponding period last year. Total operating expenses increased by 25% to HK\$450.7 million, representing 38% of sales in comparison with last year's 27%. Selling expenses increased by 30% to HK\$247.5 million and administrative expenses increased by 14% to HK\$138.5 million. R&D expenses increased by 29% to HK\$64.7 million. The increase in R&D expenses was contributed mainly by an amount of HK\$7.5 million attributable to the one time write-off of product development costs capitalised in prior periods.

Net loss attributable to equity holders for the six months ended September 30, 2005 was HK\$184.2 million, compared with profit of HK\$105.1 million in the corresponding period last year. Excluding the one-off stock provision and the R&D expenses written off, net loss was HK\$98.4 million.

The Group has been driven by its mission to create innovative consumer electronic products and services to enhance people's daily lives. It will continue to develop, design and manufacture unique life-style products in the future. However, in the short-run, in view of the competition and the new green rules to be adopted by the European countries, the Group will focus on selling out its latest products on hand through mass distribution channels. In the meantime, limited investments will be made in the development of carefully selected new MP3 and digital camera products under profitable business model. Instead, the Group has developed and launched a new product category of uniquely designed digital audio products, named StyleFi, which will have a higher margin than MP3 players and digital cameras.

Major business developments of each business division is described below.

Oregon Scientific achieved sales growth of 17% to HK\$691.3 million, representing 58% of the Group's turnover. Sales in Europe were at the same level of last year. Sales of LCD Consumer Electronic Products in Europe dropped 15%, a result of the focus on selling out products on hand. In the Americas, growth was recorded in sales of all product categories. US continued to deliver double-digit growth in sales and the sales in Brazil exceeded last year's level by 161%. Meanwhile, total sales in Asia Pacific grew by 58% and the major market, Australia, recorded an increase of 47% in sales. However, the market conditions in the UK and Germany remained sluggish. The management will continue to restructure the organization in Germany in the second half of this year.

LCD Consumer Electronic Products division recorded sales of HK\$475.2 million, down 12% from last year. This division accounted for 40% of the Group's turnover and remained the largest division of the Group. Oregon Scientific branded sales were HK\$302.8 million, down 7% as compared with last year and accounted for 64% of the division's total sales in the period. This was mainly caused by weakened sales in Europe offsetting the growth in the Americas and Asia Pacific. ODM/OEM sales were also down by 19% as fewer shipments were made to these three regions.

Telecommunications Products division sales decreased by 55% to HK\$147.1 million for the period. This division represented 12% of Group's turnover, down from 24% last year. During the period, sales of the Oregon Scientific brand were HK\$37.8 million, which accounted for 26% of the division's total sales, up from 9% last year. ODM/OEM sales were lower than last year's by 63%, reporting HK\$109.3 million.

Digital Media Products division recorded sales of HK\$211.9 million, representing 18% of the Group's turnover and an increase of 15% from last year. 53% of this division's sales were made through Oregon Scientific, compared with 29% last year. As a result of the clearance actions on MP3 and digital camera products, Oregon Scientific sales were HK\$111.7 million, up 111%. Meanwhile, ODM/OEM sales recorded a decrease of 24% to HK\$100.2 million because the business of its ODM/OEM customers was also affected by the competitive market conditions. The Group has decided to make limited investments in carefully selected new MP3 and digital camera products under profitable business model. The focus of branded sales activities in the rest of the year is to liquidate all inventories. A new digital audio product category, named StyleFi, was launched at the end of the review period and the order level was ramping up satisfactorily. This unique collection is expected to generate sales and higher gross profit margin to the branded sales in the second half of this year.

Electronic Learning Products division recorded sales of HK\$360.3 million for the period, representing 30% of the Group's turnover and an increase of 24% from last year. Sales under the Oregon Scientific brand were HK\$237.4 million, accounting for 66% of the division's total sales. Sales under the Oregon Scientific brand and ODM/OEM were up by 29% and 14% respectively as compared with last year. The new licensed products drove the strong growth of branded sales in Europe, the Americans and Asia Pacific. Moreover, more products were shipped to major ODM/OEM customers.

PROSPECTS

Leveraging the extensive sales and distribution networks in the US, European and Asian markets, Oregon Scientific continues to report double-digit growth in the first half of this financial year. Its sales will attain growth expectation by improved execution of the Group's strategy in brand building, product launch and distribution channel development. To further strengthen its brand recognition and extend its market reach, the Group will on one hand seek to penetrate more new markets and on the other, generate more synergies through cooperating with well-established brand names worldwide.

In the US market, the Oregon Scientific brand building initiatives was taken to the next level by the opening of three Oregon Scientific stores, two already opened in California and one to be opened in Oregon in the third quarter of this financial year.

During the review period, the Group's LCD Consumer Electronic Products division has developed a new weather forecast product jointly with Microsoft for the US market. The first batch of orders had already been shipped in October this year. Moreover, another new co-branded product line under Oregon Scientific has started the pipeline filling in the US market. Major products include weather forecast devices and wireless real-time data weather forecast device. These cooperative relationships contribute not only to branding recognition for Oregon Scientific, but also to the technological prominence for IDT. The Group will reposition the pricing of its high-end LCD Consumer Electronic Products and strengthen the market impact of its new Oregon Scientific product launches.

The Electronic Learning Products division will continue to develop innovative learning products and to launch more licensed products. In view of the favorable market reception of the new licensed product lines, the Company is negotiating for new licensing opportunities with some of the world's most prestigious brands. It is expected that this division will become a major growth driver.

The Telecommunications Products division will continue to focus on gaining more anchor customers to rebuild the ODM/OEM business. Some initiatives in winning new customers in the US and Europe were coming on stream. New mainstream products in the cordless phone product category applying broadband, VoIP and other wireless telephony technologies have been receiving encouraging feedback from the customers. As a result, order level is expected to build up in the fourth quarter this year.

StyleFi, the unique collection of new digital audio products with wireless speaker technology, is available for sale in all major markets since this October. Its snappy design, combined with comprehensive functions, has won positive acclaims from the market.

In the meantime, by implementing new product planning processes and disciplined cost management and cost restructuring policies, the Group is committed to reduce its expense level. The Group has sufficient internal financial resources to finance its daily operations. Looking ahead, sales during peak seasons will generate a strong cashflow to improve the Group's liquidity position.

To further expand its share in the lifestyle consumer electronic products market, the Group will continue to develop more innovative products. Oregon Scientific will be the major focus of future business development. Besides locating more channels to penetrate existing markets, Oregon Scientific has set foot in some of the high growth markets such as Japan and Latin America. The Group also aims at landing in new markets like Russia. With a more comprehensive product mix, a wider distribution network and greater market coverage, the Group is well-prepared to go through to its next level of growth after weathering this financial year. Having identified problems and taken necessary measures, it is expected that the Group will operate positively in the second half barring any unforeseeable circumstances.

DIVIDEND

The board of Directors (the "Board") has resolved not to declare any interim dividend for the year ending March 31, 2006 (interim dividend for the year ended March 31, 2005 was 3.0 HK cents per share in cash).

WORKING CAPITAL AND TREASURY MANAGEMENT

Working capital as at September 30, 2005 amounted to HK\$366.5 million, down by 46% from last year. Comparing with the balances at March 31, 2005, inventories and trade payable dropped by 16% and 12% respectively whereas trade receivables increased by 38%. Inventory turnover day was 120 and debtor turnover day was 74. The initiatives in inventory reduction will continue to drive down the inventory turnover day to lower levels in the second half of this year. The increase in trade receivables was mainly attributable to the increase in the current portion of Oregon Scientific's trade receivables due to the growth in the branded sales.

The Group generally finances its operations from internal cash flow. The total cash balances at September 30, 2005 were HK\$582.6 million which were HK\$13.8 million higher than the balances recorded last year. The Group has no secured or unsecured long-term debt. The short-term borrowings of HK\$612.0 million as at September 30, 2005, compared with HK\$267.7 million last year, were in relation to bills payable, import loans, revolving bank loans used for currency hedging purposes and bank overdrafts.

The Group had placed HK\$273.0 million on long term fixed deposits with financial institutions as at September 30, 2005, which was HK\$23.4 million lower than last year's level. 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 September 30, 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.

EMPLOYEES AND REMUNERATION POLICIES

As at September 30, 2005, the Group employed a total of approximately 7,300 employees (2004: approximately 8,500 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 norm, 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.

DIRECTORS' INTERESTS IN SECURITIES

As at September 30, 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under the provisions of the SFO) or which were recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name	No. of shares held				Total no. of shares	% of the issued capital	Number of underlying shares held under equity derivatives
	Personal interests	Family interests	Corporate interests				
Raymond Chan	66,132,919	244,956,920 <i>(note 1)</i>	842,275,225 <i>(note 2)</i>	1,153,365,064	55.31%	-	
Alain Jacques Gilbert Li	9,068,000	-	-	9,068,000	0.43%	1,000,000 <i>(note 3)</i>	
Chan Pau Shiu Yeng, Shirley	73,964,526	908,408,144 <i>(note 1)</i>	170,992,394 <i>(note 2)</i>	1,153,365,064	55.31%	-	
Giuseppe Finocchiaro	-	-	-	-	-	1,370,000 <i>(note 3)</i>	
Lo Kai Yiu, Anthony	1,424,439	-	-	1,424,439	0.07%	-	
Kao Ying Lun	-	-	-	-	-	-	
Jack Schmuckli	1,846,000	-	-	1,846,000	0.09%	-	
Kenichi Ohmae	-	-	-	-	-	-	
Woo Chia Wei	-	-	-	-	-	-	
Yoram (Jerry) Wind	-	-	-	-	-	-	

All interests disclosed above represent long positions in the shares/underlying shares of the Company.

Notes:

- (1) Mrs. Chan Pau Shiu Yeng, Shirley is the spouse of Dr. Raymond Chan. The personal and corporate interests of Mrs. Chan Pau Shiu Yeng, Shirley are disclosed as the family interests of Dr. Raymond Chan. The personal and corporate interests of Dr. Raymond Chan are disclosed as the family interests of Mrs. Chan Pau Shiu Yeng, Shirley.
- (2) 842,275,225 ordinary shares are held by Integrated Display Technology Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Dr. Raymond Chan. 170,992,394 ordinary shares are held by Raymax Time Company Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mrs. Chan Pau Shiu Yeng, Shirley.
- (3) These represent the interests in underlying shares in respect of the share options granted by the Company and/or its associated corporation, the details of which are set out in the sub-section entitled "Share Option Schemes" below.

Save as disclosed above, none of the directors or the chief executives of the Company or any of their associates had, as at September 30, 2005, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under the provisions of the SFO) or which were recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at September 30, 2005, the following persons (other than the directors or the chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company were as follows:

Name	No. of shares held	% of the issued share capital
Integrated Display Technology Limited (note 1)	842,275,225	40.39%
Raymax Time Company Limited (note 2)	170,992,394	8.20%

All interests disclosed above represent long positions in the shares of the Company.

Notes:

- (1) Integrated Display Technology Limited, a company incorporated in the British Virgin Islands, is wholly owned by Dr. Raymond Chan. Such corporate interests are also disclosed in the sub-section entitled "Directors' Interests in Securities" above.
- (2) Raymax Time Company Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mrs. Chan Pau Shiu Yeng, Shirley. Such corporate interests are also disclosed in the sub-section entitled "Directors' Interests in Securities" above.

Save as disclosed above, the Company had not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company as at September 30, 2005 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES

Particulars of outstanding options at the beginning and at the end of the financial period for the six months ended September 30, 2005 and options granted, exercised, cancelled and lapsed during the period under each of share option scheme adopted on September 28, 1993 ("1993 IDT International Option Scheme"), share option scheme adopted on August 28, 2002 ("2002 IDT International Option Scheme") and share option scheme ("IDTS Option Scheme") operated by IDT Holdings (Singapore) Limited, the subsidiary of the Company, were as follows:

(1) 1993 IDT International Option Scheme

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Number of options		
			Outstanding at 4.1.2005	Exercise price per share	Outstanding at 9.30.2005
Employees	12.29.1998*	12.30.1999 to 12.29.2008	525,000*	HK\$0.509*	525,000*
	12.29.1998*	12.30.2000 to 12.29.2008	525,000	HK\$0.509*	525,000*
			1,050,000		1,050,000

- * Share options granted on December 29, 1998 were adjusted in terms of number and exercise price owing to the three-for-four bonus issue of shares made by the Company in August 1999.

No option was granted or exercised or cancelled or lapsed under the 1993 IDT International Option Scheme during the period.

(2) 2002 IDT International Option Scheme

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Outstanding at 4.1.2005	Number of options			Outstanding at 9.30.2005
				Exercised during the period	Subscription price per share HK\$	Lapsed/cancelled during the period	
Directors							
Alain Jacques Gilbert Li	3.17.2003	3.18.2005 to 3.16.2013	500,000	-	0.780	-	500,000
	3.17.2003	3.18.2007 to 3.16.2013	500,000	-	0.780	-	500,000
Giuseppe Finocchiaro	2.28.2003	3.1.2005 to 2.27.2013	500,000	-	0.798	-	500,000
	2.28.2003	3.1.2007 to 2.27.2013	500,000	-	0.798	-	500,000
	6.25.2004	6.26.2005 to 6.25.2014	170,000	-	1.810	-	170,000
Employees							
	8.30.2002	8.30.2004 to 8.29.2012	500,000	500,000	0.730	-	-
	5.21.2003	5.21.2005 to 5.20.2013	250,000	-	0.830	-	250,000
	5.21.2003	5.21.2006 to 5.20.2013	250,000	-	0.830	-	250,000
	8.12.2003	8.13.2004 to 8.12.2013	1,000,000	-	0.976	1,000,000	-
	7.5.2004	7.6.2006 to 7.5.2014	500,000	-	1.860	-	500,000
	7.5.2004	7.6.2007 to 7.5.2014	500,000	-	1.860	-	500,000
	10.7.2004	10.8.2006 to 10.7.2014	250,000	-	1.880	-	250,000
	10.7.2004	10.8.2007 to 10.7.2014	250,000	-	1.880	-	250,000
	11.12.2004	11.13.2005 to 11.12.2014	500,000	-	1.860	-	500,000
	11.12.2004	11.13.2007 to 11.12.2014	500,000	-	1.860	-	500,000
				6,670,000	500,000		1,000,000

No option was granted under the 2002 IDT International Option Scheme during the period.

The closing market price per share immediately before June 14, 2005, the date on which share options were exercised under the 2002 IDT International Option Scheme, was HK\$1.09.

(3) IDTS Option Scheme

Participants	Date of grant (M/D/Y)	Period during which options are exercisable (M/D/Y)	Outstanding at 4.1.2005	Number of options		Expired/ Lapsed/ Cancelled during the period	Outstanding at 9.30.2005
				Exercised during the period	Subscription price per share S\$		
Directors							
Giuseppe Finocchiaro	8.14.2000	8.15.2002 to 8.13.2005	100,000	-	2.149	100,000	-
	8.14.2000	8.15.2004 to 8.13.2005	100,000	-	2.149	100,000	-
Employees							
	8.14.2000	8.15.2002 to 8.13.2005	507,500	35,000	2.149	472,500	-
	8.14.2000	8.15.2003 to 8.13.2005	200,000	-	2.149	200,000	-
	8.14.2000	8.15.2004 to 8.13.2005	507,500	-	2.149	507,500	-
	1.12.2001	1.13.2005 to 1.11.2006	30,000	30,000	1.424	-	-
			1,445,000	65,000		1,380,000	-

The closing market prices per share immediately before April 8, 2005 and April 20, 2005, the dates on which the share options were exercised, were S\$2.45 and S\$2.43.

The weighted average closing price of the shares immediately before the dates on which share options were exercised under the IDTS Option Scheme was S\$2.439 per share.

No share option was granted under the IDTS Option Scheme during the period.

The directors consider it is not appropriate to disclose the value of the share options granted during the period under the 1993 IDT International Option Scheme and 2002 IDT International Option Scheme since any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The directors believe that the evaluation of share options based upon speculative assumptions would not be meaningful and would be misleading.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by officers of the Group (the "Code") on terms no less exacting than the Model Code contained in Appendix 10 of the Listing Rules.

Having made specific enquiry of all directors, they have confirmed that they full complied with the required standards set out in both the Model Code and the Code throughout the six months period ended September 30, 2005.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance. The Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules of the Stock Exchange, except for the deviation from CG Code provision A.2.1 in respect of the separation of roles of the chairman and chief executive officer throughout the review period. The Group's compliance with the provisions and recommended best practices of the CG Code together with the considered reasons for any deviations are set out in the Corporate Governance Report contained in the Company's 2005 Annual Report issued in June 2005.

AUDIT COMMITTEE

The audit committee, comprising three independent non-executive directors, Mr. Lo Kai Yiu, Anthony (Chairman), Mr. Kao Ying Lun and Mr. Jack Schmuckli, had reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited financial statements and the results of the Group for the six months ended September 30, 2005.

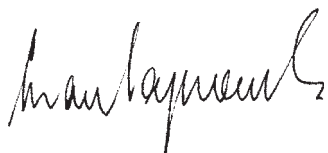
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended September 30, 2005.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our management team and staff members for their hard work, dedication and support throughout the period.

On behalf of the board of directors



Dr. Raymond Chan

Chairman & Chief Executive Officer

Hong Kong, November 10, 2005

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