



IDT INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF THIRD QUARTER RESULTS FOR THE YEAR ENDING MARCH 31, 2004

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 increased 16% to HK\$2,304.9 million
- Sales of “Oregon Scientific” products increased 41% to HK\$1,211.0 million
- All product divisions achieved sales growth
- Gross profit margin increased 6 points to 40%
- Profit attributable to shareholders increased 57% to HK\$228.1 million
- Net cash and deposits were HK\$500.1 million

UNAUDITED RESULTS

The directors (the “Directors”) of IDT International Limited (the “Company”) are pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months and nine months ended December 31, 2003 together with the unaudited comparative figures for the corresponding periods in 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Nine months ended December 31,		Three months ended December 31,		Year ended March 31,
		2003	2002	2003	2002	2003
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(As restated)
	Notes	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Turnover	2	2,304.9	1,991.9	1,012.1	805.1	2,410.2
Cost of sales		(1,389.6)	(1,308.3)	(585.3)	(502.7)	(1,585.1)
Gross profit		915.3	683.6	426.8	302.4	825.1
Other operating income		22.8	46.7	6.1	12.4	58.1
Selling expenses		(337.1)	(244.1)	(153.9)	(112.0)	(310.2)
Administrative expenses		(205.0)	(191.2)	(65.4)	(56.2)	(267.1)
Research and development expenses		(85.2)	(94.5)	(35.8)	(43.7)	(93.8)

Profit from operations	310.8	200.5	177.8	102.9	212.1
Finance costs	(3.0)	(2.2)	(1.1)	(0.9)	(3.4)
Other non-operating income	0.9	0.1	0.5	0.1	–
Share of results of an associate	1.7	3.2	1.3	0.6	3.3
Profit before taxation	310.4	201.6	178.5	102.7	212.0
Taxation	(41.0)	(25.1)	(27.5)	(13.9)	(16.5)
Profit after taxation	269.4	176.5	151.0	88.8	195.5
Minority interests	(41.3)	(31.4)	(16.7)	(12.8)	(42.2)
Profit attributable to shareholders	228.1	145.1	134.3	76.0	153.3
Earnings per share	3				
– basic (HK cents)	11.0	7.0	6.5	3.7	7.4
– diluted (HK cents)	11.0	7.0	6.4	3.7	7.4

Notes:

1. Principal accounting policies

These unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting”, as applicable to condensed interim accounts, issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). These interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended March 31, 2003, except that the Group has adopted the revised SSAP 12 “Income taxes” to account for deferred taxation which became effective on January 1, 2003.

In previous years, deferred taxation was accounted for in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Pursuant to the revised SSAP 12, deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively and the comparative figures have been restated accordingly. This change in accounting policy has resulted in an increase of HK\$12.9 million and HK\$0.5 million in the profit attributable to shareholders for the nine months ended December 31, 2003 and 2002 respectively. The opening reserves at April 1, 2003 and 2002 have been increased by HK\$6.6 million and HK\$3.8 million respectively.

2. Turnover and segment information

The Group is principally engaged in the design, development, manufacture, and sales and marketing of various consumer electronic products, and the turnover and profit from operations of the Group are principally attributable to such activities.

An analysis of the Group's turnover by each principal activity is as follows:

	Turnover	
	Nine months ended	
	December 31,	
	2003	2002
	HK\$'m	HK\$'m
Sales and manufacture of:		
LCD Consumer Electronic Products	807.8	743.0
Telecommunication Products	587.6	574.9
Electronic Personal Information Products	344.3	240.7
Electronic Learning Products	557.4	419.8
Other consumer electronic products	7.8	13.5
	<u>2,304.9</u>	<u>1,991.9</u>

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

	Turnover	
	Nine months ended	
	December 31,	
	2003	2002
	HK\$'m	HK\$'m
Americas	961.5	994.3
Europe	983.5	727.8
Asia Pacific	359.9	269.8
	<u>2,304.9</u>	<u>1,991.9</u>

3. Earnings per share

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

	Nine months ended	
	December 31,	
	2003	2002
	HK\$'m	HK\$'m
Net profit for the period for the purpose of basic earnings per share	228.1	145.1
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of a subsidiary based on dilution of its earnings per share	(0.2)	(0.2)
Net profit for the purpose of diluted earnings per share	<u>227.9</u>	<u>144.9</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,075,868,820	2,071,578,898
Effect of dilutive potential ordinary shares:		
Options	5,340,573	4,716,711
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,081,209,393</u>	<u>2,076,295,609</u>

4. Post Balance Sheet Event

On November 26, 2003, a wholly owned subsidiary of the holding company of Kyosha Holdings (Singapore) Limited (“Kyosha Singapore”), the offeror, 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. Kyosha Singapore was an associate of the Group which held 67,621,000 ordinary shares in its share capital at December 31, 2003. Following its acceptance of the cash offer, the Group has disposed of all its shareholdings in Kyosha Singapore on January 2, 2004. Kyosha Singapore thus ceased to be an associate of the Group.

BUSINESS REVIEW

Turnover of the Group for the nine months ended December 31, 2003 was HK\$2,304.9 million, representing an increase of 16% from the corresponding period of the previous financial year. This increase was mainly attributable to the 41% increase in Oregon Scientific branded sales, which accounted for 53% of the Group’s turnover, compared with 43% for the corresponding period last year.

Gross profit increased by 34% to HK\$915.3 million while gross profit margin increased from 34% to 40%. The increase in gross profit margin was due to the increase in branded sales’ weighting and improved margins for the ODM/OEM business from new products and improved efficiency.

Profit from operations was HK\$310.8 million, compared with HK\$200.5 million for the corresponding period last year. Total operating expenses increased by 18% to HK\$627.3 million, representing 27% of sales which is the same as last year. Selling expenses increased by 38% to HK\$337.1 million, representing 15% of sales, compared with 12% last year. The increase was driven by additional headcount to drive sales and increased licence fees for co-branded and licensed products. Administrative expenses increased by 7% to HK\$205.0 million due to the increase in staff costs and facilities to support our continuous growth. R&D expenses decreased by 10% to HK\$85.2 million, linked to the timing of the launch of new products. As a percentage to sales, both administrative and R&D expenses dropped by 1 point to 9% and 4% respectively.

Profit attributable to shareholders for the nine months ended December 31, 2003 was HK\$228.1 million, which represents a 57% increase from the corresponding period last year. As a percentage to sales, this translates into a 10% net profit margin, up from 7% last year.

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

Oregon Scientific achieved sales growth of 41% to reach HK\$1,211.0 million, representing 53% of the Group’s turnover. In the period under review, sales in the US have increased by 74% to become the largest and fastest growing major market for Oregon Scientific. Italy was the second largest market achieving an increase of 39%. UK was the second fastest growing major market with a growth rate of 41%. Our relatively newer market, Australia, has also grown significantly by 62%.

The Group will continue to open new markets and channels of distribution in all regions supported by the launch of new products, including the co-branded lines as well as continuous investment in headcount and marketing activities to further drive the Oregon Scientific brand globally.

LCD Consumer Electronic Products division recorded sales of HK\$807.8 million, up 9% from the same period last year. It accounted for 35% of the Group turnover and remained the largest division of the Group. The sales growth was mainly attributable to the sales increase in healthcare and sports

products and the launch of the co-branded collections. Oregon Scientific branded sales accounted for 68% of the division's total sales for this period, compared with 67% for the corresponding period last year. The division also saw its ODM/OEM sales grew by 10% over the previous year.

Telecommunication Products division grew by 2% to report HK\$587.6 million in sales for the period. This division represented 25% of Group turnover, down from 29% for the same period last year. The increase in sales in this competitive market was attributable to the division's success in increasing its customer base outside the US and the expansion in its product lines. During the period, sales through the Oregon Scientific brand were HK\$55.5 million, which accounted for 9% of the division's total sales, up from 3% last year.

Electronic Personal Information Products division recorded sales of HK\$344.3 million, representing 15% of the Group's turnover and a 43% increase from last year. The sales increase was driven by the sales of newly launched range of digital cameras. 58% of this division's sales were through Oregon Scientific, compared with 31% for the same period of the previous financial year.

Electronic Learning Products division recorded HK\$557.4 million of sales for the period, representing 24% of Group turnover and a 33% increase from the corresponding period last year. The increase was mainly due to the launch of new products under both licensed arrangements and Oregon Scientific. Sales under the Oregon Scientific brand were HK\$401.4 million, which accounted for 72% of the division's total, up from 62% a year ago.

Working capital as at December 31, 2003 amounted to HK\$778.8 million, up 5% from last year. The increase in working capital over the year was linked to the increase in sales through the Group's own brand and overseas subsidiaries. The increase was also due to the impact of the stronger Euro and UK pound which accounted for HK\$66.5 million compared with the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations from internal cash flow. Net cash balances at December 31, 2003 were HK\$500.1 million, which was HK\$21.0 million lower than the balances recorded on the same date last year. The decrease in net cash balances was mainly due to the privatisation of I-Comm Technology Limited.

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

CAPITAL STRUCTURE AND TREASURY MANAGEMENT

The Group is funded entirely by equity and we do not have any secured or unsecured long-term debt. Short-term bank borrowings of HK\$167.3 million as at December 31, 2003, compared with HK\$139.9 million last year, were in relation to bills payable, import loans, revolving bank loans and bank overdrafts.

Having considered the interest rate environment and capital needs, the Group has placed HK\$296.4 million on high yield deposits with financial institutions as at December 31, 2003, compared with HK\$261.3 million last year. The average yield for these deposits has improved from last year's 6.8% to 7.3% per annum. These deposits were placed with institutions with a minimum double A rating. These instruments do carry a level of risk where interest earned 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. We actively hedge our foreign currency exposures through natural hedges, forward contracts and options. As at December 31, 2003, we had 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 December 31, 2003, the Group employed a total of approximately 8,000 employees (2002: approximately 7,400 employees). The Group continues to maintain and upgrade the capabilities of our workforce by providing them with adequate and regular training.

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

PROSPECTS

The Group has registered a strong performance in the first nine months of the year. Sales in the first three quarters have attained 96% of the financial year 2003. Net profit for the nine months of the current year is already up by 49% compared with the full year last year. Although the fourth quarter is traditionally the low season for the Group the order book for the quarter is already ahead of the corresponding period last year. For the full year the Group expects to continue to deliver a satisfactory performance.

DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended December 31, 2003 (2002: Nil).

CONTINGENT LIABILITIES

At December 31, 2003, the Group had no contingent liabilities (2002: Nil).

AUDIT COMMITTEE

The audit committee comprises independent non-executive directors, Mr. Lo Kai Yiu, Anthony (*Chairman*) and Mr. Kao Ying Lun, and a non-executive director, Mr. Jack William Edouard Heuer. The principle duties of the audit committee are to review, together with management and the Company's internal and external auditors, the internal and external audit findings, the accounting principles and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters. The members of the audit committee had reviewed the unaudited financial statements of the Group for the nine months ended December 31, 2003 before recommending to the Board for approval.

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 nine months ended December 31, 2003.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the nine months ended December 31, 2003, save and except that all non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

APPRECIATION

I would like to take this opportunity to welcome Mr. Jack William Edouard Heuer to join the audit committee of the Board in January 2004. Leveraging on his invaluable experience, I am confident that the standards of corporate governance and interests of all shareholders will be greatly enhanced.

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, February 25, 2004

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