



IDT INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 167)

ANNOUNCEMENT OF THIRD QUARTER RESULTS FOR THE YEAR ENDING MARCH 31, 2005

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 4% to HK\$2,402.4 million**
 - Oregon Scientific sales increased 5% to HK\$1,269.5 million**
 - ODM/OEM sales increased 4% to HK\$1,132.9 million**
- Profit attributable to shareholders amounted to HK\$229.3 million**
- Net profit margin maintained at 10%**
- Net cash and deposits were HK\$187.2 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, 2004 together with the unaudited comparative figures for the corresponding periods in 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Nine months ended December 31,		Three months ended December 31,		Year ended March 31,
		2004	2003	2004	2003	2004
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Notes	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Turnover	2	2,402.4	2,304.9	1,056.4	1,012.1	2,757.3
Cost of goods sold		(1,473.8)	(1,389.6)	(634.9)	(585.3)	(1,661.4)
Gross profit		928.6	915.3	421.5	426.8	1,095.9
Other operating income		23.4	23.7	2.5	6.5	44.9
Research and development costs		(79.7)	(78.5)	(29.6)	(29.1)	(99.7)
Distribution and selling expenses		(355.5)	(337.1)	(165.6)	(153.9)	(425.7)
Administrative expenses		(218.1)	(211.7)	(72.2)	(72.0)	(276.4)
Profit from operations	3	298.7	311.7	156.6	178.3	339.0
Interest on bank and other borrowings wholly repayable within five years		(8.2)	(3.0)	(3.4)	(1.1)	(5.2)
Share of profit of an associate		-	1.7	-	1.3	1.6
Profit before taxation		290.5	310.4	153.2	178.5	335.4
Taxation	4	(10.2)	(41.0)	(10.4)	(27.5)	(26.7)
Profit before minority interests		280.3	269.4	142.8	151.0	308.7
Minority interests		(51.0)	(41.3)	(18.6)	(16.7)	(57.9)
Net profit attributable to shareholders		<u>229.3</u>	<u>228.1</u>	<u>124.2</u>	<u>134.3</u>	<u>250.8</u>
Earnings per share	5					
– basic (HK cents)		<u>11.0</u>	<u>11.0</u>	<u>6.0</u>	<u>6.5</u>	<u>12.1</u>
– diluted (HK cents)		<u>11.0</u>	<u>11.0</u>	<u>5.9</u>	<u>6.4</u>	<u>12.0</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	At December 31, 2004 (Unaudited) <i>HK\$'m</i>	At December 31, 2003 (Unaudited) <i>HK\$'m</i>	At March 31, 2004 (Audited) <i>HK\$'m</i>
Non-current assets			
Investment properties	6.4	6.4	6.4
Property, plant and equipment	295.9	296.4	289.8
Intangible assets	96.2	71.3	74.0
Goodwill	23.7	18.3	18.0
Interest in an associate	–	57.6	–
Long-term bank deposits	296.4	296.4	296.4
Deferred tax assets	82.6	38.0	48.1
	801.2	784.4	732.7
Current assets			
Inventories	756.3	477.2	518.5
Property held for resale	1.6	1.6	1.6
Trade and other receivables	826.3	719.1	400.4
Taxation recoverable	0.5	–	0.4
Bank balances and cash	338.6	371.4	533.4
	1,923.3	1,569.3	1,454.3
Current liabilities			
Trade and other payables	557.7	570.1	429.3
Obligations under finance leases due within one year	0.1	0.1	0.2
Amount due to an associate	–	0.1	–
Taxation payable	57.2	52.9	28.8
Bank borrowings	447.6	167.3	184.4
	1,062.6	790.5	642.7
Net current assets	860.7	778.8	811.6
Total assets less current liabilities	1,661.9	1,563.2	1,544.3

	At December 31, 2004 (Unaudited) <i>HK\$'m</i>	At December 31, 2003 (Unaudited) <i>HK\$'m</i>	At March 31, 2004 (Audited) <i>HK\$'m</i>
Non-current liabilities			
Obligations under finance leases due after one year	0.1	0.3	0.2
Deferred tax liabilities	29.5	29.0	26.9
	<u>29.6</u>	<u>29.3</u>	<u>27.1</u>
Minority interests	<u>274.6</u>	<u>264.0</u>	<u>271.9</u>
Net assets	<u><u>1,357.7</u></u>	<u><u>1,269.9</u></u>	<u><u>1,245.3</u></u>
Capital and reserves			
Share capital	208.5	208.2	208.2
Reserves	1,149.2	1,061.7	1,037.1
Shareholders' funds	<u><u>1,357.7</u></u>	<u><u>1,269.9</u></u>	<u><u>1,245.3</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) <i>HK\$'m</i>	Share premium (Unaudited) <i>HK\$'m</i>	Properties revaluation reserve (Unaudited) <i>HK\$'m</i>	Capital reserve (Unaudited) <i>HK\$'m</i>	Translation reserve (Unaudited) <i>HK\$'m</i>	Revenue reserve (Unaudited) <i>HK\$'m</i>	Total (Unaudited) <i>HK\$'m</i>
At April 1, 2003	207.2	63.6	27.9	3.7	5.7	821.3	1,129.4
Net gains and losses not recognised in the consolidated income statement							
— Currency realignment	-	-	-	-	11.3	-	11.3
Net profit for the period	-	-	-	-	-	228.1	228.1
2003 final dividend paid	-	-	-	-	-	(103.7)	(103.7)
Issue of shares	1.0	3.8	-	-	-	-	4.8
	<u>208.2</u>	<u>67.4</u>	<u>27.9</u>	<u>3.7</u>	<u>17.0</u>	<u>945.7</u>	<u>1,269.9</u>
At December 31, 2003							
At April 1, 2004	208.2	67.4	27.9	6.9	8.1	926.8	1,245.3
Net gains and losses not recognised in the consolidated income statement							
— Currency realignment	-	-	-	-	6.5	-	6.5
Net profit for the period	-	-	-	-	-	229.3	229.3
2004 final dividend paid	-	-	-	-	-	(125.1)	(125.1)
Issue of shares	0.3	1.4	-	-	-	-	1.7
	<u>208.5</u>	<u>68.8</u>	<u>27.9</u>	<u>6.9</u>	<u>14.6</u>	<u>1,031.0</u>	<u>1,357.7</u>
At December 31, 2004							

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Nine months ended

December 31,

	2004 (Unaudited) HK\$'m	2003 (Unaudited) HK\$'m
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Net cash (used in) from operating activities	(184.8)	145.8
Net cash used in investing activities	(90.6)	(113.8)
Net cash from (used in) financing activities	57.4	(22.3)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(218.0)	9.7
Cash and cash equivalents at April 1	530.8	353.4
Effect of foreign exchange rate changes	13.0	8.3
	<hr/>	<hr/>
Cash and cash equivalents at December 31	<u>325.8</u>	<u>371.4</u>
Analysis of the balances of cash and cash equivalents:		
Bank deposits, bank balances and cash	635.0	667.8
Bank overdrafts	(12.8)	–
	<hr/>	<hr/>
	622.2	667.8
Less: Long-term bank deposits	(296.4)	(296.4)
	<hr/>	<hr/>
	<u>325.8</u>	<u>371.4</u>

Notes:

1. Basis of preparation

The Directors are responsible for the preparation of the Group's unaudited quarterly financials. These unaudited quarterly financials have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants. These condensed accounts should be read in conjunction with the audited accounts for the year ended March 31, 2004.

The principal accounting policies and methods of calculations used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended March 31, 2004.

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 profit from operations	
	Nine months ended		Nine months ended	
	December 31,		December 31,	
	2004	2003	2004	2003
	<i>HK\$'m</i>	<i>HK\$'m</i>	<i>HK\$'m</i>	<i>HK\$'m</i>
Sales and manufacture of:				
LCD Consumer Electronic Products	1,008.1	807.8	195.9	118.8
Telecommunication Products	460.8	587.6	36.1	61.7
Digital Media Products	384.1	344.3	(31.5)	29.1
Electronic Learning Products	542.0	557.4	80.4	85.2
Other consumer electronic products	7.4	7.8	3.3	1.4
	<u>2,402.4</u>	<u>2,304.9</u>	<u>284.2</u>	<u>296.2</u>
Interest income			14.5	14.3
Unallocated corporate income			-	1.2
Profit from operations			<u>298.7</u>	<u>311.7</u>

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

	Turnover	
	Nine months ended	
	December 31,	
	2004	2003
	<i>HK\$'m</i>	<i>HK\$'m</i>
Americas	941.0	961.5
Europe	959.5	983.5
Asia Pacific	501.9	359.9
	<u>2,402.4</u>	<u>2,304.9</u>

3. Profit from operations

	Nine months ended December 31,	
	2004	2003
	<i>HK\$'m</i>	<i>HK\$'m</i>
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	45.9	45.0
Amortisation of intangible assets	32.5	30.7
Loss on disposal of property, plant and equipment	1.7	1.8
and after crediting:		
Interest income	<u>14.5</u>	<u>14.3</u>

4. Taxation

The credit (charge) consists of:

	Nine months ended December 31,	
	2004	2003
	<i>HK\$'m</i>	<i>HK\$'m</i>
Hong Kong Profits Tax	(30.0)	(37.1)
Tax in other jurisdictions	(9.8)	(13.6)
Deferred taxation credit	29.6	9.7
	<u>(10.2)</u>	<u>(41.0)</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. Earnings per share

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

	Nine months ended December 31,	
	2004	2003
	HK\$'m	HK\$'m
Net profit for the period attributable to shareholders and earnings for the purposes of basic earnings per share	229.3	228.1
Effect of dilutive potential ordinary shares: Adjustment to the share of profits of a subsidiary based on dilution of its earnings per share	–	(0.2)
Earnings for the purpose of diluted earnings per share	<u>229.3</u>	<u>227.9</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,084,316,475	2,075,868,820
Effect of dilutive potential ordinary shares: Share options	<u>3,300,752</u>	<u>5,340,573</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,087,617,227</u>	<u>2,081,209,393</u>

BUSINESS REVIEW

Results For The Three Months Ended December 31, 2004

Turnover of the Group for the three months ended December 31, 2004 was HK\$1,056.4 million, representing an increase of 4% from the corresponding period of the previous financial year. Oregon Scientific branded sales were 10% higher than the corresponding period last year, which accounted for 64% of the Group's turnover, compared with 61% for the corresponding period last year whereas ODM/OEM sales were 4% lower. ODM/OEM sales in LCD Consumer Electronic Products, Digital Media Products and Electronic Learning Products were higher by 5%, 83% and 103% respectively. However Telecom was 47% lower due to continuous pressure in the US cordless phone market affecting the business of a major account.

Gross profit decreased by 1% to HK\$421.5 million while gross profit margin decreased from 42% to 40%. The decrease in gross profit margin was due to the drop in the margins of the ODM/OEM business resulting from a higher mix of Digital Media Products.

Profit from operations was HK\$156.6 million, compared with HK\$178.3 million for the corresponding period last year. Total operating expenses increased by 5% to HK\$267.4 million, representing 26% of sales in comparison with last year's 25%. After restating last year's expense classifications of HK\$6.7 million from R&D expenses to administrative expenses, selling expenses increased by 8% to HK\$165.6 million, administrative expenses maintained at HK\$72.2 million and R&D expenses increased by 2% to HK\$29.6 million. The increase in expenses was due to the increase in staff costs and facilities to support the Group's continuous development and future growth opportunities. As a percentage of sales, both administrative and R&D expenses maintained at 7% and 3% respectively and selling expenses increased to 16% of sales in comparison with 15% last year.

Profit attributable to shareholders for the three months ended December 31, 2004 was HK\$124.2 million, compared with HK\$134.3 million in the corresponding period last year. Net profit margin for the period was 12% this year. (FY2004: 13%)

Results For The Nine Months Ended December 31, 2004

Turnover of the Group for the nine months ended December 31, 2004 was HK\$2,402.4 million, representing an increase of 4% from the corresponding period of the previous financial year. Oregon Scientific branded sales increased by 5% to HK\$1,269.5 million, which accounted for 53% of the Group's turnover, same as last year and ODM/OEM sales also increased by 4% to HK\$1,132.9 million.

Gross profit increased by 1% to HK\$928.6 million while gross profit margin decreased from 40% to 39%. The decrease in gross profit margin was due to the drop in the margins of ODM/OEM business linked to higher proportion of Digital Media Products sales in the total mix.

Profit from operations was HK\$298.7 million, compared with HK\$311.7 million for the corresponding period last year. Total operating expenses increased by 4% to HK\$653.3 million, representing 27% of sales which was the same as last year. After restating last year's expense classifications of HK\$6.7 million from R&D expenses to administrative expenses, selling expenses increased by 5% to HK\$355.5 million, administrative expenses increased by 3% to HK\$218.1 million and R&D expenses increased by 2% to HK\$79.7 million. The increase in expenses was due to the increase in staff costs and facilities to support the Group's continuous development and future growth opportunities. As a percentage of sales, selling, administrative and R&D expenses were maintained at 15%, 9% and 3% respectively.

Profit attributable to shareholders for the nine months ended December 31, 2004 was HK\$229.3 million. Net profit margin for the period maintained at 10%.

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

Oregon Scientific achieved sales growth of 5% to reach HK\$1,269.5 million, representing 53% of the Group's turnover. In the period under review, sales in Europe increased 7%. Within the region, France was the fastest growing major market for Oregon Scientific, achieving 19% of growth. Italy which remained the largest market achieved 12% increase. The performance in UK and Germany were affected by soft local market conditions and current restructuring programs. In Americas, Brazil reported an encouraging growth of 227% whereas the US market was down 13%, mainly due to less sales in Digital Media Products and Electronic Learning Products as compared with last year. However the LCD Consumer Electronic Products sales in US achieved an increase of 90%. Spearheading the development of retail stores in HK, China and Singapore as well as an increase of 42% in Australia, Asia Pacific posted 88% increase for the period.

Leveraging on the results of several initiatives, including retail store strategy, point of sales development, global marketing effort and sales organization expansion, the Group will continue to invest in these drivers for the long term development of the Oregon Scientific brand.

LCD Consumer Electronic Products division recorded sales of HK\$1,008.1 million, up 25% from the same period last year. It accounted for 42% of the Group turnover and remained the largest division of the Group. Oregon Scientific branded sales accounted for 68% of the division's total sales for this period, same as the corresponding period last year. The division's ODM/OEM sales also grew by 23% over the previous year. Growth of 90% in the US market, especially through successful channel development of some major retailers, contributed to the 25% increase in branded sales. On ODM/OEM side, more new products, including time and weather and sport and fitness categories, were sold to both new accounts and existing accounts.

Telecommunication Products division decreased by 22% to report sales of HK\$460.8 million for the period. This division represented 19% of Group turnover, down from 25% for the same period last year. During the period, sales of the Oregon Scientific brand were HK\$54.1 million, which accounted for 12% of the division's total sales, up from 9% last year. Less shipment to a major account due to the fierce competition in the US cordless phone market continued to affect its ODM/OEM sales

although this was partly compensated by higher sales of transceiver products than last year's level.

Digital Media Products division recorded sales of HK\$384.1 million, representing 16% of the Group's turnover and a 12% increase from last year. 36% of this division's sales were through Oregon Scientific, compared with 58% for the same period of the previous financial year. Major accounts in ODM/OEM continued to contribute significant growth in sales, which were up by 71% for the period.

Electronic Learning Products division recorded sales of HK\$542.0 million for the period, representing 23% of Group turnover and a 3% decrease from the corresponding period last year. Sales under the Oregon Scientific brand were HK\$386.6 million, which accounted for 71% of the division's total, down from 72% a year ago. ODM/OEM sales were maintained at last year's level. Oregon Scientific branded sales were down 4% mainly due to 18% drop in the US, its largest market, as a result of less new product offerings.

Working capital as at December 31, 2004 amounted to HK\$860.7 million, up 11% from last year. The increase in working capital was linked to the increase in inventories and trade receivables. Comparing with the balances at the corresponding date last year, inventories and trade receivables increased by 58% and 10% respectively whereas trade payable dropped by 5%. The substantial increase in inventories was due to increase in raw materials and work in progress to meet the production requirement of Digital Media Products division's ODM/OEM orders in the fourth quarter and higher level of finished products in overseas sales offices to support the continuous development of its distribution network in particular for LCD Consumer Electronic Products and to cater for shorter delivery lead time requirement of the market. The Group is proactively reviewing its entire supply chain and is deploying strategies to reduce the levels of inventory. These include new systems to improve forecasting and visibility.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations from internal cash flow. Net cash balances at December 31, 2004 were HK\$187.2 million, which was HK\$312.9 million lower than the balances recorded at the same date last year. The decrease in net cash balances was mainly due to the increase in inventories and receivables.

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

CAPITAL STRUCTURE AND TREASURY MANAGEMENT

The Group is funded entirely by equity and there is no secured or unsecured long-term debt. Short-term bank borrowings of HK\$447.6 million as at December 31, 2004, compared with HK\$167.3 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 December 31, 2004, same amount of last year. The average yield for these deposits was 5.6% 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 December 31, 2004, 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 December 31, 2004, the Group employed a total of approximately 7,500 employees (2003: approximately 8,000 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.

PROSPECTS

The Group had managed to deliver satisfactory results in the first nine months of the year despite some challenging factors including uncertain economic conditions and competitive markets for a number of its product lines. The Group is investing in future development of Oregon Scientific brand and distribution network in all regions and in its product innovation and development which remain key drivers to its continuous long term growth. With these initiatives in place, the Group is targetting to achieve a 15% to 20% increase in sales in the financial year ending March 31, 2006.

DIVIDEND

It is the Group's plan to declare dividend only at the half-year and year-end. Therefore, the Directors do not recommend the payment of a dividend for the three months ended December 31, 2004 (2003: nil).

CONTINGENT LIABILITIES

At December 31, 2004, the Group had no contingent liabilities (2003: nil).

AUDIT COMMITTEE

The audit committee, comprising independent non-executive directors, Mr. Lo Kai Yiu, Anthony (Chairman of the audit committee) and Mr. Kao Ying Lun, and non-executive director, Mr. Jack William Edouard Heuer, had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial statements of the Group for the nine months ended December 31, 2004.

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, 2004.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (in force prior to January 1, 2005 and applicable to this results announcement under the transitional arrangement) throughout the nine months ended December 31, 2004, save and except that all non-executive directors of the Company are not appointed for specific terms but they are subject to retirement by rotation at the annual general meeting of the Company in

accordance with the Bye-laws of the Company prior to November 10, 2004. Effective from November 10, 2004, each non-executive director has entered into a service contract with the Company for a fixed term not exceeding three years and is subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

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 3, 2005

The Directors of the Company as at the date of this announcement are Dr. Raymond Chan, Mr. Alain Jacques Gilbert Li, Mrs. Chan Pau Shiu Yeng, Shirley and Mr. Giuseppe Finocchiaro as executive directors; Mr. Jack William Edouard Heuer and Professor Woo Chia Wei as non-executive directors; Mr. Lo Kai Yiu, Anthony, Mr. Kao Ying Lun, Mr. Jack Schmuckli and Dr. Kenichi Ohmae as independent non-executive directors.

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

Please also refer to the published version of this announcement in South China Morning Post Business.