



IDT INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 167)

ANNOUNCEMENT OF FIRST 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 8% to HK\$507.4 million:–
Oregon Scientific sales increased 8% to HK\$222.0 million
ODM/OEM sales increased by 8% to HK\$285.4 million**
- **Gross profit margin maintained at 36%**
- **Profit attributable to shareholders increased 26% to HK\$17.2 million**
- **Net cash and deposits were HK\$548.4 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 ended June 30, 2004 together with the unaudited comparative figures for the corresponding period in 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended June 30,		Year ended
		2004 (Unaudited) HK\$'m	2003 (Unaudited) HK\$'m	March 31, 2004 (Audited) HK\$'m
Turnover	2	507.4	468.5	2,757.3
Cost of goods sold		(326.9)	(301.5)	(1,661.4)
Gross profit		180.5	167.0	1,095.9
Other operating income		6.0	7.5	44.9
Research and development costs		(24.9)	(22.0)	(99.7)
Distribution and selling expenses		(67.6)	(65.8)	(425.7)
Administrative expenses		(65.0)	(62.6)	(276.4)
Profit from operations		29.0	24.1	339.0
Interest on bank and other borrowings wholly repayable within five years		(2.2)	(0.7)	(5.2)
Share of profit of an associate		–	0.4	1.6
Profit before taxation		26.8	23.8	335.4
Taxation		(0.9)	(4.6)	(26.7)
Profit before minority interests		25.9	19.2	308.7
Minority interests		(8.7)	(5.6)	(57.9)
Net profit attributable to shareholders		17.2	13.6	250.8
Earnings per share	3			
– basic (HK cents)		0.8	0.7	12.1
– diluted (HK cents)		0.8	0.7	12.0

CONDENSED CONSOLIDATED BALANCE SHEET

	At June 30, 2004 (Unaudited) HK\$'m	At June 30, 2003 (Unaudited) HK\$'m	At March 31, 2004 (Audited) HK\$'m
Non-current assets			
Investment properties	6.4	6.4	6.4
Property, plant and equipment	282.6	304.5	289.8
Intangible assets	78.6	67.7	74.0
Goodwill	17.8	18.7	18.0
Interests in an associate	–	56.3	–
Long-term bank deposits	296.4	156.0	296.4
Deferred tax assets	56.3	19.0	48.1
	<u>738.1</u>	<u>628.6</u>	<u>732.7</u>
Current assets			
Inventories	600.4	397.9	518.5
Property held for resale	1.6	1.6	1.6
Trade and other receivables	451.8	384.4	400.4
Taxation recoverable	0.4	6.1	0.4
Bank balances and cash	441.9	489.9	533.4
	<u>1,496.1</u>	<u>1,279.9</u>	<u>1,454.3</u>
Current liabilities			
Trade and other payables	435.7	390.2	429.3
Amount due to an associate	–	0.1	–
Obligations under finance leases due within one year	0.1	0.2	0.2
Taxation payable	32.7	20.8	28.8
Bank borrowings	189.7	77.3	184.4
	<u>658.2</u>	<u>488.6</u>	<u>642.7</u>
Net current assets	<u>837.9</u>	<u>791.3</u>	<u>811.6</u>
Total assets less current liabilities	<u>1,576.0</u>	<u>1,419.9</u>	<u>1,544.3</u>
Non-current liabilities			
Obligations under finance leases due after one year	0.1	–	0.2
Deferred tax liabilities	29.1	20.5	26.9
	<u>29.2</u>	<u>20.5</u>	<u>27.1</u>
Minority interests	<u>280.5</u>	<u>252.8</u>	<u>271.9</u>
Net assets	<u>1,266.3</u>	<u>1,146.6</u>	<u>1,245.3</u>
Capital and reserves			
Share capital	208.4	207.2	208.2
Reserves	1,057.9	939.4	1,037.1
Shareholders' funds	<u>1,266.3</u>	<u>1,146.6</u>	<u>1,245.3</u>

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 on The Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the 2004 annual accounts.

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		
	First Quarter		Full Year
	FY2004/05	FY2003/04	FY2003/04
	HK\$’m	HK\$’m	HK\$’m
Sales and manufacture of:			
LCD Consumer Electronic Products	233.4	179.2	1,049.5
Telecommunication Products	142.7	127.9	724.2
Electronic Personal Information Products	54.1	54.1	384.6
Electronic Learning Products	74.5	105.4	585.5
Other consumer electronic products	2.7	1.9	13.5
	<u>507.4</u>	<u>468.5</u>	<u>2,757.3</u>

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

	Turnover		
	First Quarter		Full Year
	FY2004/05	FY2003/04	FY2003/04
	HK\$’m	HK\$’m	HK\$’m
Americas	200.1	198.2	1,102.9
Europe	199.0	200.9	1,198.6
Asia Pacific	108.3	69.4	455.8
	<u>507.4</u>	<u>468.5</u>	<u>2,757.3</u>

3. Earnings per share

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

	First Quarter		Full Year
	Unaudited FY2004/05 HK\$m	Unaudited FY2003/04 HK\$m	Audited FY2003/04 HK\$m
Net profit attributable to shareholders and earnings for the purpose of basic earnings per share	17.2	13.6	250.8
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 purposes of diluted earnings per share	<u>17.2</u>	<u>13.6</u>	<u>250.6</u>
Number of ordinary shares:			
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,083,949,907	2,072,048,407	2,077,505,100
Effect of dilutive potential ordinary shares – share options	<u>3,675,907</u>	<u>5,525,875</u>	<u>5,255,353</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,087,625,814</u>	<u>2,077,574,282</u>	<u>2,082,760,453</u>

BUSINESS REVIEW

Turnover of the Group for the first quarter of the financial year ending March 31, 2005 was HK\$507.4 million, representing an increase of 8% from the corresponding first quarter of the previous financial year. This increase was mainly attributable to increase in Oregon Scientific branded sales and ODM/OEM sales growth of both LCD Consumer Electronic Products division and Telecommunication Products division. Comparing between the two corresponding quarters, the Group's Oregon Scientific branded sales increased by 8% to HK\$222.0 million and accounted for 44% of the Group's turnover. Meanwhile, ODM/OEM sales for LCD Consumer Electronic Products division and Telecommunication Products division recorded growth rates of 23% and 10% respectively as compared to their respective sales in the corresponding quarter last year.

Gross profit increased by 8% to HK\$180.5 million while gross profit margin was maintained at 36% despite some pressure on material prices.

Profit from operations was HK\$29.0 million, compared with HK\$24.1 million for the corresponding quarter last year. The increase of 20% in operating profit was mainly due to higher sales and tight control on operating expenses, which increased by a modest 4.7% as compared with the corresponding quarter last year.

Profit attributable to shareholders for the quarter was HK\$17.2 million, which represented a 26% increase from the corresponding quarter last year. As a percentage of turnover, this translated into a 3.4% net profit margin, up from 2.9% last year.

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

Oregon Scientific recorded sales of HK\$222.0 million, representing an increase of 8% from the corresponding quarter last year. In the quarter under review, all countries reported an increase in sales over the corresponding period last year with the exception of Germany and Spain. The United Kingdom recorded a 61% increase with increases in all product categories whilst Latin America and Australia were the fastest growing markets, posting increases of 417% and 116% respectively as compared with the same quarter last year. Sales in Asia also increased by 66% in comparison with the same quarter last year as the Group continues to invest in building Oregon Scientific brand in Asia by opening retail stores and expanding distribution in HK, China and South East Asia.

LCD Consumer Electronic Products division recorded sales of HK\$233.4 million, up 30% from the same quarter last year. It accounted for approximately 46% of the Group's turnover and remained the largest division of the Group. The sales growth was attributable to a 37% growth in Oregon Scientific branded sales to HK\$149.1 million and 23% growth in ODM/OEM sales to HK\$84.3 million. Oregon Scientific branded sales accounted for 64% of the division's total sales for this quarter, compared with 61% for the corresponding quarter last year.

Europe remained the largest market for Oregon Scientific sales of LCD Consumer Electronic Products. However it was worth noting the significant progress being made in the Americas, which gained a number of "in line programs" with major US retailers where products are carried throughout the year.

ODM/OEM business also recorded growth in all the major markets with the highest growth also coming from the Americas.

Telecommunication Products division saw a 12% increase in sales to HK\$142.7 million for the quarter. It represented approximately 28% of Group turnover; against the 27% share of the same quarter last year. The increase in sales was mainly due to 30% growth in Oregon Scientific branded sales which recorded an amount of HK\$16.2 million and 10% growth in ODM/OEM sales which recorded an amount of HK\$126.4 million. During the quarter, sales through Oregon Scientific brand were HK\$16.2 million, which accounted for 11% of the division's total sales, up from 10% last year.

The largest market for Oregon Scientific continued to be Europe, thanks to the strong brand name and established distribution network.

The strategic shift in ODM/OEM business to achieve a more balanced portfolio in terms of customers and regions continued into the first quarter with 44% of its total ODM/OEM sales coming from Europe and Asia.

Electronic Personal Information Products division recorded sales of HK\$54.1 million, representing 11% of the Group's turnover. Although ODM/OEM sales recorded HK\$35.9 million, up 42% from the same quarter last year, Oregon Scientific branded sales were HK\$18.2 million, down 37% from the same quarter last year. As a result, the total sales remained the same as that of the same quarter last year. About 34% of this division's sales were through the Group's Oregon Scientific brand, compared with 53% for the first quarter of the previous financial year.

Oregon Scientific sales of Electronic Personal Information Products for the quarter recorded growth in Europe and Asia. The drop in the Americas was due to a non-recurring promotional order received last year.

The growth in ODM/OEM business of Electronic Personal Information Products division was due to new accounts gained in Asia and the US.

Electronic Learning Products division achieved HK\$74.5 million of sales for the quarter, representing 15% of the Group's turnover. It represented a decrease of 29% from the corresponding quarter last year. Sales under Oregon Scientific brand were HK\$37.3 million, which accounted for 50% of the division's total, representing a decrease of 31% as compared to the same quarter last year. ODM/OEM side of the business posted a decrease of 28% in sales to reach HK\$37.2 million.

The sales of Electronic Learning Products under Oregon Scientific brand for the quarter were adversely impacted by mainly a delay in orders being confirmed from the US. However the Group expects the situation will improve over the second quarter and for the remainder of the year.

ODM/OEM sales for the Electronic Learning Products division were also impacted by the timing of orders received this year which should improve going forward.

Working capital at the end of the quarter amounted to HK\$837.9 million, up 6% from the end of the corresponding quarter last year. When compared with the same quarter date last year, trade receivables and trade payables increased by 17% and 10% respectively. Inventory level increased by 51%. The increase in inventory was mainly due to increases in raw material and work in progress which were in line with current order level and market conditions affecting component supply lead time requirements.

Total cash and net cash balances at the end of the quarter were HK\$738.3 million and HK\$548.4 million respectively. As at June 30, 2004, a sum of HK\$296.4 million was held in yield enhancing deposits with average returns of 6.8% per annum.

OUTLOOK FOR THE YEAR

The Group's order book is ahead of last year's level driven by the continuous development in the Oregon Scientific brand and distribution network, new major ODM/OEM customers and a range of new products to be launched across all its product divisions, particularly the LCD Consumer Electronic Products division and the Electronic Personal Information Products division. The Group outlook for the full year remains positive.

DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended June 30, 2004 (2003: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations from internal cash flow. Net cash balances at June 30, 2004 were HK\$548.4 million, which was HK\$20 million lower than the balances recorded on the same date last year. The decrease in net cash balances was mainly due to financing of working capital.

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 does not have any secured or unsecured long-term debt. Short-term bank borrowings of HK\$189.7 million as at June 30, 2004, compared with HK\$77.3 million last year, were in relation to bills payable, import loans, revolving bank loans and bank overdrafts.

Having considered the interest rate environment and its capital needs, the Group has placed HK\$296.4 million in high yield deposits with financial institutions as at June 30, 2004, compared with HK\$156.0 million last year. The average yield for these deposits was 6.8% 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 June 30, 2004, 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 June 30, 2004, the Group employed a total of approximately 8,500 employees (2003: approximately 7,700 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 its production facilities and research and development resources, staff welfare rates are set with reference to the prevailing labour laws in China. Both the Group 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.

CONTINGENT LIABILITIES

As at June 30, 2004, the Group had no contingent liabilities (2003: Nil).

AUDIT COMMITTEE

The audit committee comprises independent non-executive directors, Mr. Lo Kai Yiu, Anthony (Chairman) and Mr. Kao Ying Lun, and 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 three months ended June 30, 2004 prior to 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 three months ended June 30, 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 throughout the three months ended June 30, 2004, 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.

I would like to thank all our staff, directors and business partners for their support and efforts in delivering a solid performance for the first quarter.

On behalf of the Board of Directors
Dr. Raymond Chan
Chairman & Chief Executive Officer

Hong Kong, August 11, 2004

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, Mr. Shigenobu Morita 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>