



IDT INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 167)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 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.

At the dedicated efforts of the management to realign business and streamline cost structure, the performance of Oregon Scientific and Net Cash improved in Q4:-

- Oregon Scientific sales increased 11% to HK\$175.4 million
- Electronic Learning Products reported 275% increase in sales
- Gross profit margin reduced to 17%
- Total operating expenses decreased 28% to 173.1 million
- Inventory, trade debtors and trade creditors were reduced by 39%, 25% and 24% respectively
- Having right-sized the structure and with its solid business foundation, the Group is well-positioned to achieve a business recovery and growth

RESULTS

The directors (the “Directors”) of IDT International Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and year ended March 31, 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Year ended March 31,		Three months ended	
		2006 (Audited) HK\$'m	2005 (Audited) HK\$'m (Restated)	2006 (Unaudited) HK\$'m	2005 (Unaudited) HK\$'m (Restated)
Turnover	3	2,372.2	2,894.7	362.6	492.3
Cost of goods sold		(1,749.3)	(1,886.7)	(302.0)	(376.7)
Gross profit		622.9	1,008.0	60.6	115.6
Other operating income		37.2	48.2	19.0	24.8
Research and development costs		(109.5)	(109.7)	(16.2)	(30.0)
Distribution and selling expenses		(496.9)	(500.0)	(88.7)	(144.4)
Administrative expenses		(271.0)	(246.5)	(68.2)	(64.5)
Interest on bank and other borrowings wholly repayable within five years		(24.2)	(12.9)	(6.6)	(4.7)
(Loss)/Profit before taxation	4	(241.5)	187.1	(100.1)	(103.2)
Taxation	5	(5.8)	(0.5)	2.6	9.7
(Loss)/Profit for the year		<u>(247.3)</u>	<u>186.6</u>	<u>(97.5)</u>	<u>(93.5)</u>
Attributable to:					
Equity holders of the Company		(263.4)	129.6	(99.4)	(99.5)
Minority interests		16.1	57.0	1.9	6.0
		<u>(247.3)</u>	<u>186.6</u>	<u>(97.5)</u>	<u>(93.5)</u>
Dividends	6	N/A	166.9	N/A	N/A
(Loss) earnings per share	7				
– basic		<u>(12.63 HK cents)</u>	<u>6.22 HK cents</u>	<u>(4.76 HK cents)</u>	<u>(4.78 HK cents)</u>
– diluted		<u>N/A</u>	<u>6.21 HK cents</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	At March 31, 2006 (Audited) <i>HK\$'m</i>	At March 31, 2005 (Audited) (Restated) <i>HK\$'m</i>
Non-current assets		
Investment properties	–	14.8
Property, plant and equipment	307.1	318.0
Intangible assets	89.5	81.8
Goodwill	33.6	26.4
Long-term bank deposits	273.0	296.4
Deferred tax assets	80.5	78.8
	783.7	816.2
Current assets		
Inventories	448.6	734.5
Property held for resale	–	1.6
Trade and other receivables	356.8	461.2
Tax certificate	42.9	3.8
Taxation recoverable	13.9	6.8
Bank balances and cash	338.5	307.3
	1,200.7	1,515.2
Current liabilities		
Trade and other payables	369.9	406.2
Bills payables	16.1	26.1
Obligations under finance leases due within one year	0.2	0.1
Forward liabilities	0.2	–
Taxation payable	11.2	13.0
Short-term bank loans	489.4	393.9
Bank overdrafts	3.9	–
	890.9	839.3
Net current assets	309.8	675.9
Total assets less current liabilities	1,093.5	1,492.1
Non-current liabilities		
Obligations under finance leases due after one year	0.1	0.1
Deferred tax liabilities	21.5	27.8
	21.6	27.9
Net assets	1,071.9	1,464.2
Capital and reserves		
Share capital	208.5	208.5
Reserves	607.0	979.6
Equity attributable to equity holders of the Company	815.5	1,188.1
Minority interests	256.4	276.1
Total equity	1,071.9	1,464.2

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Audited) HK\$'m	Share premium (Audited) HK\$'m	Properties revaluation reserve (Audited) HK\$'m	Share options reserve (Audited) HK\$'m	Capital reserve (Audited) HK\$'m	Translation reserve (Audited) HK\$'m	Revenue reserve (Audited) HK\$'m	Attributable to equity holders of the Company (Audited) HK\$'m	Minority interests (Audited) HK\$'m	Total (Audited) 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
Effects of changes in accounting policies	-	-	-	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
Exchange differences arising from translation of financial statements of foreign operations recognized directly in equity	-	-	-	-	-	(1.3)	-	(1.3)	0.5	(0.8)
Profit for the year	-	-	-	-	-	-	129.6	129.6	57.0	186.6
Total recognized income and expenses for the year	-	-	-	-	-	(1.3)	129.6	128.3	57.5	185.8
Dividend	-	-	-	-	-	-	(187.6)	(187.6)	(39.7)	(227.3)
Issue of shares	0.3	1.4	-	-	-	-	-	1.7	-	1.7
Capital contributed by minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	2.2	2.2
Deemed partial disposal of a subsidiary	-	-	-	-	-	-	-	-	(0.8)	(0.8)
Reduction arising from repurchase by a subsidiary of its own shares	-	-	-	-	-	-	-	-	(15.0)	(15.0)
Recognition of equity- settled share based payments	-	-	-	0.4	-	-	-	0.4	-	0.4
At March 31, 2005	208.5	68.8	27.9	0.5	6.9	6.8	868.7	1,188.1	276.1	1,464.2
Effects of changes in accounting policies	-	-	-	-	(6.9)	-	6.9	-	-	-
At April 1, 2005, as restated	208.5	68.8	27.9	0.5	-	6.8	875.6	1,188.1	276.1	1,464.2
Exchange differences arising from translation of financial statements of foreign operations recognized directly in equity	-	-	-	-	-	(5.9)	-	(5.9)	(0.7)	(6.6)
(Loss) profit for the year	-	-	-	-	-	-	(263.4)	(263.4)	16.1	(247.3)
Total recognized income and expenses for the year	-	-	-	-	-	(5.9)	(263.4)	(269.3)	15.4	(253.9)
Dividends	-	-	-	-	-	-	(104.3)	(104.3)	(30.0)	(134.3)
Issue of shares	-	0.3	-	-	-	-	-	0.3	-	0.3
Capital contributed by minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	0.6	0.6
Deemed partial disposal of a subsidiary	-	-	-	-	-	-	-	-	(0.2)	(0.2)
Reduction arising from repurchase by a subsidiary of its own shares	-	-	-	-	-	-	-	-	(5.5)	(5.5)
Recognition of equity- settled share base payments	-	-	-	0.7	-	-	-	0.7	-	0.7
At March 31, 2006	208.5	69.1	27.9	1.2	-	0.9	507.9	815.5	256.4	1,071.9

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Year ended March 31, 2006 (Audited) HK\$'m	2005 (Audited) (Restated) HK\$'m
Net cash from (used in) operating activities	186.5	(40.3)
Net cash used in investing activities	(99.0)	(159.8)
Net cash used in financing activities	(56.4)	(23.0)
Net increase (decrease) in cash and cash equivalents	31.1	(223.1)
Cash and cash equivalents at April 1	307.3	530.8
Effect of foreign exchange rate changes	(3.8)	(0.4)
Cash and cash equivalents at March 31	<u>334.6</u>	<u>307.3</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	338.5	307.3
Bank overdrafts	(3.9)	–
	<u>334.6</u>	<u>307.3</u>

Notes:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after January 1, 2005, except for HKAS 40 “Investment property” which had been early adopted by the Group for the year ended March 31, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 “Business combinations”. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to April 1, 2001 was held in reserves, and goodwill arising on acquisitions after April 1, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK\$10.8 million has been transferred to the Group’s revenue reserve on April 1, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group on April 1, 2005 eliminated the carrying amount of the related accumulated amortisation of HK\$2.2 million with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from April 1, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after January 1, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note 2 for the financial impact).

In the current year, the Group has also applied HKAS 21 “The effects of changes in foreign exchange rates” which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to April 1, 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made.

Excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost (previously known as “negative goodwill”)

In accordance with HKFRS 3, any excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of acquisition (“discount on acquisition”) is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to April 1, 2001 was held in reserves, and negative goodwill arising on acquisitions after April 1, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill of HK\$17.7 million which was previously recorded in reserves on April 1, 2005. A corresponding adjustment to the Group’s revenue reserve of HK\$17.7 million has been made.

Share-based payments

In the current year, 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 share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after April 1, 2005. In relation to share options granted before April 1, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before November 7, 2002 and vested before April 1, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after November 7, 2002 and had not yet vested on April 1, 2005. Comparative figures have been restated (see note 2 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost or revaluation model. In the current year, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Financial instruments

In the current year, 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 does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From April 1, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice (“SSAP”) 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 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 “other financial liabilities”. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

Derivatives

Prior to April 1, 2005, the Group recognised non-speculative forward contract on consolidated balance sheet in accordance with SSAP 11. The forward asset represents the foreign currency amount of the contract multiplied by the difference between the spot rate at the balance sheet date and the forward rate. Gain or loss is included in the consolidated income statement.

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 non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. In respect of derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from April 1, 2005 onwards, deemed such derivatives as held for trading (see note 2 for the financial impact). The adoption of HKAS 39 has had no material effect on how the results for the prior accounting years are prepared and presented.

2. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2006 <i>HK\$'m</i>	2005 <i>HK\$'m</i>
Non-amortisation of goodwill	1.9	–
Recognition of share-based payments as expenses	(0.7)	(0.4)
Net losses arising from changes in fair value of forward liabilities	(0.2)	–
Decrease in loss (profit) and decrease (increase) in administrative expenses for the year	1.0	(0.4)

The cumulative effects of the application of the new HKFRSs as at March 31, 2005 and April 1, 2005 are summarised below:

	As at 3.31.2005 <i>(Originally stated)</i> <i>HK\$'m</i>	Adjustments <i>HK\$'m</i>	As at 3.31.2005 <i>(Restated)</i> <i>HK\$'m</i>	Adjustments <i>HK\$'m</i>	As at 4.1.2005 <i>(Restated)</i> <i>HK\$'m</i>
Balance sheet items					
Impact of HKAS 32 and HKAS 39:					
Forward assets	–	–	–	15.3	15.3
Trade and other payables	(406.2)	–	(406.2)	(15.3)	(421.5)
Total effects on assets and liabilities	<u>(406.2)</u>	<u>–</u>	<u>(406.2)</u>	<u>–</u>	<u>(406.2)</u>
Revenue reserve	869.2	(0.5)	868.7	6.9	875.6
Capital reserve	6.9	–	6.9	(6.9)	–
Share options reserve	–	0.5	0.5	–	0.5
Minority interests	–	276.1	276.1	–	276.1
Total effects on equity	<u>876.1</u>	<u>276.1</u>	<u>1,152.2</u>	<u>–</u>	<u>1,152.2</u>
Minority interests	<u>276.1</u>	<u>(276.1)</u>	<u>–</u>	<u>–</u>	<u>–</u>

The financial effects of the application of the new HKFRSs to the Group's equity on April 1, 2004 are summarised below:

	As originally stated <i>HK\$'m</i>	Adjustments <i>HK\$'m</i>	As restated <i>HK\$'m</i>
Revenue reserve	926.8	(0.1)	926.7
Share options reserve – recognition of equity-settled share based payment expenses	–	0.1	0.1
Minority interests	–	271.9	271.9
Total effects on equity	<u>926.8</u>	<u>271.9</u>	<u>1,198.7</u>

3. SEGMENT INFORMATION

An analysis of the Group's turnover and by business segments is as follows:

	Turnover		Contribution to profit from operations	
	2006 <i>HK\$'m</i>	2005 <i>HK\$'m</i>	2006 <i>HK\$'m</i>	2005 <i>HK\$'m</i>
Sales and manufacture of:				
LCD Consumer Electronic Products	994.6	1,199.2	(9.0)	180.2
Telecommunication Products	294.3	542.2	(45.4)	36.9
Digital Media Products	338.8	582.3	(198.1)	(73.4)
Electronic Learning Products	733.3	563.5	35.4	36.3
Other consumer electronic products	11.2	7.5	8.9	(0.1)
	<u>2,372.2</u>	<u>2,894.7</u>	<u>(208.2)</u>	<u>179.9</u>
Interest income			5.1	15.0
Unallocated corporate expense			(17.4)	(5.4)
Unallocated corporate income			3.2	10.5
Finance costs			(24.2)	(12.9)
(Loss) profit before taxation			(241.5)	187.1
Taxation			(5.8)	(0.5)
(Loss) profit for the year			<u>(247.3)</u>	<u>186.6</u>

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

	Turnover	
	2006	2005
	HK\$'m	HK\$'m
Americas	996.5	1,083.9
Europe	926.5	1,089.8
Asia Pacific	449.2	721.0
	<u>2,372.2</u>	<u>2,894.7</u>
4. (LOSS)/PROFIT BEFORE TAXATION		
	2006	2005
	HK\$'m	HK\$'m
(Loss)/Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	66.2	65.2
Amortisation of product development costs included in research and development costs	47.7	37.8
Amortisation of goodwill included in administrative expenses	–	1.1
Loss on disposal of property, plant and equipment	9.5	2.9
Gain on deemed partial disposal of a subsidiary	0.2	0.8
Interest income	5.1	15.0
Amortisation of patents and trademarks included in research and development costs	0.4	–
Loss from disposal of investment properties	2.9	–
Gain arising from changes in fair value of investment properties	–	8.4
Mould construction income	13.9	10.2
Property rental income before deduction of negligible outgoings	0.4	0.7
Exchange gains	1.3	0.7
	<u>1.3</u>	<u>0.7</u>
5. TAXATION		
The charge comprises:		
	2006	2005
	HK\$'m	HK\$'m
Taxation of the Company and its subsidiaries:		
Hong Kong Profits Tax		
– current year	(14.0)	(24.2)
– over provision in prior years	0.1	–
Tax in other jurisdictions		
– current year	(0.6)	(2.5)
– over/under provision in prior years	0.3	(2.9)
	<u>(14.2)</u>	<u>(29.6)</u>
Deferred taxation	8.4	29.1
	<u>(5.8)</u>	<u>(0.5)</u>
Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.		
6. DIVIDENDS		
	2006	2005
	HK\$'m	HK\$'m
Interim dividend of nil (2005: 3.0 HK cents) per share	–	62.6
Proposed final dividend of nil (2005: 5.0 HK cents) per share	–	104.2
Additional final dividend for the prior year due to exercise of share options	–	0.1
	<u>–</u>	<u>166.9</u>

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the equity holders of the Company for the year is based on the following data:

	2006 HK\$'m	2005 HK\$'m
(Loss) earning:		
(Loss)/profit attributable to the equity holders of the Company and (loss)/earnings for the purposes of basic earnings per share	(263.4)	129.6
Effect of dilutive potential ordinary shares – adjustment to the share of profits of a subsidiary based on dilution of its earnings per share	–	(0.1)
(Loss)/Earnings for the purposes of diluted earnings per share	<u>(263.4)</u>	<u>129.5</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,085,116,318	2,084,417,430
Effect of dilutive potential ordinary shares – share options	4,790,260	3,099,189
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,089,906,578</u>	<u>2,087,516,619</u>

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended March 31, 2006 (2005: 5.0 HK cents).

BUSINESS AND OPERATIONS REVIEW

Results For The Three Months Ended March 31, 2006

Turnover of the Group for the three months ended March 31, 2006 was HK\$362.6 million, representing a decrease of 26% from the corresponding period of the past financial year. Loss from operations narrowed down to HK\$93.5 million from HK\$98.5 million last year. Total operating expenses decreased by 28% to HK\$173.1 million, comparable to 48% of sales against 49% last year. Selling expenses reduced by 39%, while R & D expenses decreased by 46% to HK\$16.2 million which was mainly due to the capitalization of project costs of products to be launched next year. Administrative expenses increased by 6% to HK\$68.2 million due to the one-off redundancy and restructuring expenses incurred from the right sizing of overseas sales and marketing organizations and product divisions. Restructuring was near completion towards the end of the year and relevant costs were largely expended albeit some final steps to be taken in the first quarter of the new financial year. Net loss attributable to shareholders for the three months ended March 31, 2006 was HK\$99.4 million, similar to the last corresponding period.

Though the clearance of excessive high-end models of LCD Consumer Electronic Products at repositioned prices and liquidation of MP3 players and digital cameras dragged down the gross profit margin of Oregon Scientific, the Group's overall gross profit margin was maintained at 17%.

During the review period, Oregon Scientific branded sales were 11% higher than in the corresponding period last year, representing 48% of the Group's turnover, as compared with 32% in the corresponding period last year. The sales of Electronic Learning Products in this quarter surged 506%. The branded sales of this product division in America posted a 178% growth as the Batman® and Barbie® licenced product series continued to enjoy strong momentum in the US and Brazil despite that the fourth quarter is traditionally the low season for the toy industry. Moreover, the initial shipment of SPOT (Smart Personal Objects Technology), the wireless real time weather forecast device jointly developed with Microsoft, contributed to the increase in sales of LCD Consumer Electronic Products in the US.

ODM/OEM sales were 44% lower than in the corresponding period last year mainly due to the reduction of 86% and 10% in the sales of Digital Media Products and Telecommunications Products respectively. The reduction was a result of our strategic exit from the low margin price competitive digital media product categories and shortage of major components delaying delivery of telecommunication products. At the concerted efforts of the product team, new innovative cordless phones including one with colour display and short message functions and one with a touch pad and applying new 5.8G technologies were developed, which shipment to Europe, the US as well as Hong Kong has been scheduled for the next financial year.

Results For the Year Ended March 31, 2006

Turnover of the Group for the year ended March 31, 2006 was HK\$2,372.2 million, representing a decrease of 18% when compared with the last financial year. Gross profit decreased by 38% to HK\$622.9 million while gross profit margin decreased from 35% to 26%. The decline in gross profit margin was attributable to the liquidation of MP3 and digital camera products and the clearance of excessive inventory of high-end models of LCD Consumer Electronic Products at repositioned prices.

Loss from operations was HK\$217.3 million, compared with profit from operations of HK\$200.0 million last year. Loss attributable to shareholders for the year ended March 31, 2006 was HK\$263.4 million. The increase in overseas sales and marketing headcounts and the expanded cost structures based on generous projection of LCD Consumer Electronic Products sales and the growth potential of MP3 and digital camera products explained the loss. The management had, however, implemented a series of cost cutting measures to keep operating expenses under tight control, resulting in a 27% reduction in total operating expenses in the fourth quarter.

The Group's effective working capital management effort substantially reduced its inventory and accounts receivable levels, resulting in a net cash amount of HK\$186.5 million from operating activities albeit the operating loss of HK\$217.3 million this year.

All the four business divisions of the Group serve the Oregon Scientific brand. During the review period, Oregon Scientific accounted for 61% of the Group's total turnover while ODM/OEM business generated the rest.

ODM/OEM sales decreased by 37% to HK\$928.8 million as a result of the Group's strategic repositioning of the Digital Media Products and Telecommunications Products divisions to exit from low-margin and price-competitive products and the decrease of ODM/OEM sales of LCD Consumer Electronic Products due to market competition. However, ODM/OEM business is expected to improve in the new financial year as the LCD Consumer Electronic Products division and Telecommunications Products division have had success in securing new customers during the year.

Oregon Scientific recorded a moderate sales increase of 1% to reach HK\$1,443.4 million. In addition to the flagship product categories, the Electronic Learning Products division introduced "SmartGlobe™", which snatched several international innovative design awards including the Consumer Product Design Grand Award of 2005 Hong Kong Awards for Industries. The product will be launched globally in the new financial year and will become the spearhead Electronic Learning Product.

Geographically, Europe market's turnover lowered by 13% to HK\$682.9 million, as compared with last year. It was mainly attributable to the 21% decrease in sales of LCD Consumer Electronic Products in the market. Gross margin also narrowed at the impact of clearance of excessive inventory at repositioned prices.

To strengthen its leading market position in Europe, the Group adopted a new distribution strategy entailing to the launch of a new line of timing and weather forecast products with the aim of boosting its market share in all channels including mass retailers, electronics chain stores, specialty stores, hypermarkets, department stores, major catalogues and corporate sales channels, and ultimately its share in the market. Furthermore, a new childcare product line was launched at the end of last year. It drew positive initial market response and enjoyed prominent shelf exposure in some major channels.

Sales from the America market increased by 19% to HK\$635.2 million. Sales of Electronic Learning Products in the US and Brazil recorded a growth of 12% and 75% respectively. Growth in sales in the market is expected to continue in the new financial year as the new products, especially new licenced products, launched this year are winning customer support.

Oregon Scientific's sports and fitness products was the second best selling among sports brands in Brazil with sales surged 19% during the review period. Although the US is a strategic market for Oregon Scientific, with the majority of its products currently sold through mass retailers, the market yields a relatively lower gross profit margin. To improve the gross profit margin, the management has taken steps to expand distribution channels in the market to include specialty stores and enterprise channels and to rationalize the commercial terms with major retailers and distributors.

The introduction of new innovative products facilitated the opening of more new channels and securing of new customers by Oregon Scientific to widen margins. These new products included a weather forecast product line for a well-known household brand customer and the first generation wireless real time weather forecast device jointly developed with Microsoft.

The Asia Pacific market achieved HK\$125.3 million in turnover during the review period, up 19% as compared with last year. It was mainly driven by the growth in sales of Electronic Learning Products.

To align its operations with set business strategies and enhance operational efficiency, the Group streamlined its operation teams in Mainland China, Hong Kong and South East Asia and grouped them under one regional management. The move resulted in better allocation of management resources and more effective sales and marketing activities, which have helped to maximize the brand value and sales potential of Oregon Scientific. The Group has begun to see increase in sales turnover and reduction in operating cost thanks to the business alignment.

The **LCD Consumer Electronic Products division** recorded sales of HK\$994.6 million, down 17% from last year's. It accounted for 42% of the Group's turnover and remained the largest division of the Group.

There was no reduction in the quantity of products sold in major markets but the clearance of excessive inventory at repositioned prices dragged down the average selling price and the gross profit margin of the branded sales.

The sales of Oregon Scientific brand products and ODM/OEM products decreased by 13% and 24% respectively, as compared with last year, a result of some key Japanese and US customers trimming orders as the products became commoditized.

Heeding the trend, the management has been actively cultivating new major customers and new products that employ new technologies will come on stream starting in the first quarter of the new financial year.

The **Electronic Learning Products division** recorded sales of HK\$733.3 million for the year, 30% higher than last year and representing 31% of the Group's turnover. Sales of Oregon Scientific brand products increased 19% to HK\$467.5 million, accounting for 64% of the division's total sales. ODM/OEM sales grew 55%.

Besides achieving double-digit growth in the US, which is the most prominent toy market in the world, the Group's electronic learning products also reported satisfactory growth in all other markets driven by flagship children learning laptop products licensed with Barbie®, Dora®, Batman® and Hot Wheels®. The Group also saw the successful launch of the award winning "SmartGlobe™", the world's first interactive learning product which can be updated via the Internet, in USA in the fourth quarter. The "SmartPen™" is another product with an interactive learning platform integrated with optical, electronic and Internet technologies. The Group collaborated with a publisher for bundling the "SmartPen™" with children textbooks. The product offers thousands of choices of interactive learning contents and interesting games for different age groups.

Sales of the **Telecommunication Products division** for the year dropped 46% to HK\$294.3 million. This division's sales represented 12% of Group's turnover, down from 19% last year.

During the year, sales of Oregon Scientific branded products were HK\$76.8 million, which accounted for 26% of the division's total sales, up from 13% last year. The marketing strategy of Oregon Scientific is designed around the brand's smart-living lifestyle product concepts. The strategy, which saw the division recording a 12% increase in branded sales, will be continued.

The division's ODM/OEM sales decreased from HK\$473.6 million to HK\$217.5 million, a drop of 54% as a result of the Group's exiting the lower-end cordless phone models that employ standard technology. The team developed new products empowered by advanced technologies instead and secured new key customers in the US and Europe.

The **Digital Media Products division** recorded sales of HK\$338.8 million, 42% less than last year, representing 14% of the Group's turnover. ODM/OEM sales dropped by 67% to HK\$137.6 million, as a result of the severe price competition turning MP3 and digital camera products into commodity products. Liquidation of the inventory and rationalization of the division's organization impacted the Group financially at HK\$198.1 million.

After the restructuring, the division will maintain a small product development team and have a small sales and marketing staff to focus on handling outstanding orders from ODM/OEM customers and supporting Oregon Scientific's profitable opportune projects. The Group will selectively invest in innovative products to enhance Oregon Scientific lifestyle business strategy.

OUTLOOK

The Group has undertaken a series of measures to improve cost effectiveness and operational efficiency. These measures included exit from the low margin and price competitive digital media product categories and shifting its focus to products that agree with the Group's smart-living lifestyle product concepts and boast higher margins. Furthermore, the Group embarked on major restructuring and cost cutting initiatives to streamline its overseas sales and marketing organizations, and product divisions.

Oregon Scientific expanded its distribution network to Russia and other Asian countries, such as the Philippines, Thailand and Malaysia, by appointing distributors in those markets. Efforts were also made to extend distribution channels to cover hypermarkets, specialty stores, sports channel, groceries, farming, gardening and e-commerce channels with the aim of reducing reliance on mass retailers. A new management will be put in place which is expected to take Oregon Scientific business to the next level under new leadership.

To overcome the challenges of increasing market competition and price pressure on the LCD Consumer Electronics business, product collections were re-aligned and rationalized to eliminate overlapping of offerings. A new product planning process was introduced to enhance product innovation and timely product development, allowing for collaboration with external design and technology partners such as Microsoft. The arrangement can help to strengthen the Group's leadership in product innovation, enabling it to sustain business growth and relieve the pressure on margin.

The Electronic Learning Products business expects continuous strong growth in sales and profitability. Oregon Scientific will further extend the product segment to include from early learning devices to youth electronic products, realizing our effective learning path concept. The Group will devote particular effort to develop new entry models such as the junior laptop series and pocket learning series, which can bring returns the whole year round. ODM business will also be boosted to help balance the cyclical nature of the toy business. Markets such as Japan, Germany and China remain the Group's core ODM markets. Leveraging the interactive learning platform of "SmartPen™", the division will add new products in its future product roadmap.

To maximize productivity and manufacturing cost effectiveness, the Telecommunication Products division merged the organization and production facilities of transceiver products with cordless phones products. The division will continue to invest in the development of high radio frequency digital products and new products with innovative features enabled by advanced technologies to meet market and customer demands. The division's new digital "touch sensitive" cordless phone series launched in the fourth quarter last year in Europe was developed to enhance the Group's lifestyle brand strategy. The product will be launched in the US in the second quarter this year under a major US brand. There is also a strong demand for new models featuring color displays with downloadable content and Internet telephone, which are planned for launch in the coming year. The division has established several new customers in Europe and the US during the year and has on hand a satisfactory order book and promising order forecasts from new customers in the US and Europe.

With the SAP system in place and working, the Group expects to see more accurate order forecast and materials planning, which will enhance inventory control and working capital management. The Group has engaged an external consultant to design a global supply chain programme covering such initiatives as upgrading the Group's global warehouse management system, its logistic services in Europe, its global sourcing strategy, the supply chain process that can facilitate forecast and sales operation planning. The objective of the programme is to shorten the delivery lead-time from raw materials to finished goods.

Looking ahead, the management is aware of the challenges that may impact the industry and accordingly the Group. External market factors such as rising interest rates, oil prices, cost of raw materials and labour, and also appreciation of the RMB may put pressure on the Group's gross margin. To meet these challenges, the Group has measures in place to improve production efficiency and enhance the product planning process.

The first quarter is the traditional low season for the Group's business, however, with our product divisions boasting unique competence and the strength of our brand and distribution remaining intact, the Group believes it is well-positioned to achieve a business recovery and growth in the new financial year, barring any unforeseen adverse market conditions.

WORKING CAPITAL AND TREASURY MANAGEMENT

Net current assets as at March, 2006 amounted to HK\$309.8 million, down by 54% from last year. Compared with the balances as at March 31, 2005, inventories, trade receivables and trade payables dropped by 39%, 25% and 24% respectively. Inventory turnover was 94 days, down from last year's 142 days whilst trade debtor turnover was 41 days, down from last year's 45 days.

Net cash balances at March 31, 2006 were HK\$334.6 million, which was HK\$27.3 million higher than the balances recorded at the end of last year. Despite the operating loss of HK\$217.3 million suffered this year, the net amount of cash generated from operating activities was HK\$186.5 million in contrast with the net amount of cash depletion from operating activities of HK\$40.3 million in last year. It was mainly due to the tightened control on credit management and stronger discipline on collection and inventory management. Whilst there was also reduction in net cash used in investing activities from last year's HK\$159.8 million to this year's HK\$99.0 million, the net cash used in financing activities increased from last year's HK\$23.0 million to this year's HK\$56.4 million. As a result of these movements, the net increase in cash and cash equivalents was HK\$31.1 million in this year as compared with the net decrease in cash and cash equivalents of HK\$223.1 million last year.

Short-term bank borrowings of HK\$509.4 million as at March 31, 2006, compared with HK\$420.0 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 March 31, 2006, which was HK\$23.4 million lower than last year. 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 stems mainly from the net cash flow and net working capital translation of its overseas subsidiaries. Hedging of foreign currency exposures is actively done through natural hedges, forward contracts and options. As at March 31, 2006, there were forward contracts in place to hedge against possible exchange losses from future net cash flows. Speculative currency transactions are strictly prohibited. Management of currency risk is the responsibility of the Group's headquarters in Hong Kong.

CONTINGENT LIABILITIES

At March 31, 2006, the Company had provided guarantees to the extent of HK\$448.5 million (2005: HK\$416.8 million) to certain banks to secure the credit facilities granted to its subsidiaries.

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 year ended March 31, 2006.

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance. Throughout the year ended March 31, 2006, the Company had applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with a major deviation from CG Code provision A.2.1 in respect of the separation of roles of the chairman and chief executive officer. The Group's compliance with the provisions and recommended best practices of the CG Code together with the reasons for any deviations are set out in the Corporate Governance Report contained in the Company's Annual Report.

REVIEW OF ACCOUNTS

The Audit Committee had reviewed with the management and the external auditors the results of the Group for the year ended March 31, 2006.

CHANGE OF HONG KONG BRANCH SHARE REGISTRAR

With effect from June 20, 2006, the Hong Kong Branch Share Registrar and Transfer Office of the Company will be changed to: –

Union Registrars Limited
311-312 Two Exchange Square
Central Hong Kong
Telephone No.: 2849 3399
Fax No.: 2849 3319

Applications for registration of transfer of shares of the Company should thereafter be lodged with Union Registrars Limited with effect from June 20, 2006. Share certificates uncollected on June 19, 2006 may be collected from the Company's new Hong Kong Branch Share Registrar from June 20, 2006.

APPRECIATION

On behalf of the Board of Directors, I wish to express my gratitude to our shareholders and business associates for the continued support and extend our appreciation to our management team and staff members for their hard work and dedication in the past financial year.

On behalf of the board of directors

Dr. Raymond Chan

Chairman & Chief Executive Officer

Hong Kong, May 29, 2006

The Directors of the Company as at the date of this announcement are Dr. Raymond Chan and Mrs. Chan Pau Shiu Yeng, Shirley as executive directors; Professor Woo Chia Wei as non-executive director; Mr. Lo Kai Yiu, Anthony, Mr. Kao Ying Lun, Mr. Jack Schmuckli, Dr. Kenichi Ohmae and Professor Yoram (Jerry) Wind as independent non-executive directors.

Websites: <http://www.idthk.com>

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