



# IDT INTERNATIONAL LIMITED

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

## ANNOUNCEMENT OF THIRD QUARTER RESULTS FOR THE YEAR ENDING MARCH 31, 2007

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.

### Financial Highlights of the Third Quarter

- Turnover decreased 13% to HK\$709.1 million
- Gross profit margin increased from 37% to 42%
- Operating expenses reduced from HK\$253.1 million to HK\$247.5 million
- Net profit attributable to equity holders of the Company for the period increased 49% to HK\$30.1 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, 2006 together with the unaudited comparative figures for the corresponding periods in 2005.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Nine months ended December 31,		Three months ended December 31,		Year ended
		2006 (Unaudited) HK\$m	2005 (Restated) HK\$m	2006 (Unaudited) HK\$m	2005 (Restated) HK\$m	March 31, 2006 (Audited) HK\$m
Turnover	3	1,869.2	2,009.6	709.1	812.6	2,372.2
Cost of goods sold		(1,178.0)	(1,448.8)	(410.0)	(509.9)	(1,749.3)
Gross profit		691.2	560.8	299.1	302.7	622.9
Other operating income		15.1	18.2	4.3	(2.0)	37.2
Research and development costs		(86.1)	(93.3)	(27.0)	(28.6)	(109.5)
Distribution and selling expenses		(394.4)	(408.2)	(158.9)	(160.7)	(496.9)
Administrative expenses		(189.6)	(201.3)	(61.6)	(63.8)	(271.0)
Interest on bank and other borrowings wholly repayable within five years		(23.0)	(17.6)	(8.1)	(7.7)	(24.2)
(Loss)/Profit before taxation	4	13.2	(141.4)	47.8	39.9	(241.5)
Taxation	5	(7.9)	(8.4)	(13.8)	(16.0)	(5.8)
Net (loss)/profit for the period		<u>5.3</u>	<u>(149.8)</u>	<u>34.0</u>	<u>23.9</u>	<u>(247.3)</u>
Attributable to:						
Equity holders of the Company		(10.5)	(164.0)	30.1	20.2	(263.4)
Minority interests		15.8	14.2	3.9	3.7	16.1
		<u>5.3</u>	<u>(149.8)</u>	<u>34.0</u>	<u>23.9</u>	<u>(247.3)</u>
(Loss)/Earnings per share	6					
- basic (HK cents)		<u>(0.44)</u>	<u>(7.54)</u>	<u>1.32</u>	<u>0.93</u>	<u>(12.63)</u>
- diluted (HK cents)		<u>N/A</u>	<u>N/A</u>	<u>1.32</u>	<u>0.93</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	At December 31, 2006 (Unaudited) HK\$'m	At December 31, 2005 (Restated) HK\$'m	At March 31, 2006 (Audited) HK\$'m
<b>Non-current assets</b>				
Property, plant and equipment		282.3	312.0	307.1
Intangible assets		78.6	90.2	89.5
Goodwill		33.9	30.1	33.6
Long-term bank deposits		273.0	273.0	273.0
Deferred tax assets		88.4	71.7	80.5
		<u>756.2</u>	<u>777.0</u>	<u>783.7</u>
<b>Current assets</b>				
Inventories		398.2	457.8	448.6
Property held for resale		-	1.6	-
Trade and other receivables	7	690.7	633.6	356.8
Forward asset		1.9	0.6	-
Tax certificate		42.9	42.9	42.9
Taxation recoverable		0.3	10.1	13.9
Bank balances and cash		279.3	300.0	338.5
		<u>1,413.3</u>	<u>1,446.6</u>	<u>1,200.7</u>
<b>Current liabilities</b>				
Trade and other payables	8	508.8	484.4	369.9
Bills payables		46.6	16.9	16.1
Obligations under finance leases due within one year		-	-	0.2
Forward liabilities		-	-	0.2
Taxation payable		21.7	20.7	11.2
Short-term bank loans		379.1	511.2	489.4
Bank overdrafts		9.9	3.5	3.9
		<u>966.1</u>	<u>1,036.7</u>	<u>890.9</u>
<b>Net current assets</b>		<u>447.2</u>	<u>409.9</u>	<u>309.8</u>
<b>Total assets less current liabilities</b>		<u>1,203.4</u>	<u>1,186.9</u>	<u>1,093.5</u>
<b>Non-current liabilities</b>				
Obligations under finance leases due after one year		0.1	0.2	0.1
Deferred tax liabilities		17.2	19.2	21.5
		<u>17.3</u>	<u>19.4</u>	<u>21.6</u>
<b>Net assets</b>		<u>1,186.1</u>	<u>1,167.5</u>	<u>1,071.9</u>
<b>Capital and reserves</b>				
Share capital	9	250.2	208.5	208.5
Reserves		671.2	705.2	607.0
Equity attributable to equity holders of the Company		921.4	913.7	815.5
Minority interests		264.7	253.8	256.4
<b>Total equity</b>		<u>1,186.1</u>	<u>1,167.5</u>	<u>1,071.9</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Properties revaluation reserve	Share options reserve	Capital reserve	Translation reserve	Revenue reserve	Total	Minority interests	Total
	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m
At April 1, 2006	208.5	69.1	27.9	1.2	-	0.9	507.9	815.5	256.4	1,071.9
Exchange differences arising from translation of financial statements of overseas operations recognized directly in equity	-	-	-	-	-	(9.1)	-	(9.1)	0.4	(8.7)
(Loss)/Profit for the period	-	-	-	-	-	-	(10.5)	(10.5)	15.8	5.3
Total recognized income and expenses for the period	-	-	-	-	-	(9.1)	(10.5)	(19.6)	16.2	(3.4)
Issue of shares	41.7	82.5	-	-	-	-	-	124.2	-	124.2
Deemed partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-
2006 final dividend paid	-	-	-	-	-	-	-	-	(7.9)	(7.9)
Recognition of equity-settled share-based payments	-	-	-	1.3	-	-	-	1.3	-	1.3
At December 31, 2006	<u>250.2</u>	<u>151.6</u>	<u>27.9</u>	<u>2.5</u>	<u>-</u>	<u>(8.2)</u>	<u>497.4</u>	<u>921.4</u>	<u>264.7</u>	<u>1,186.1</u>
	Attributable to equity holders of the Company									
	Share capital	Share premium	Properties revaluation reserve	Share options reserve	Capital reserve	Translation reserve	Revenue reserve	Total	Minority interests	Total
	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m
At April 1, 2005 (originally stated)	208.5	68.8	27.9	-	6.9	6.8	869.2	1,188.1	276.1	1,464.2
Effects of changes in accounting policies	-	-	-	-	(6.9)	-	6.9	-	-	-
Prior period adjustment - share-based payments	-	-	-	0.5	-	-	(0.5)	-	-	-
At April 1, 2005 (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	-	-	-	-	-	(6.8)	-	(6.8)	-	(6.8)
(Loss)/profit for the period	-	-	-	-	-	-	(164.0)	(164.0)	14.2	(149.8)
Total recognized income and expenses for the period	-	-	-	-	-	(6.8)	(164.0)	(170.8)	14.2	(156.6)
Issue of shares	-	0.3	-	-	-	-	-	0.3	-	0.3
Capital contributed by minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	(0.8)	(0.8)
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-based payments	-	-	-	0.4	-	-	-	0.4	-	0.4
2005 final dividend paid	-	-	-	-	-	-	(104.3)	(104.3)	(30.0)	(134.3)
At December 31, 2005 (restated)	<u>208.5</u>	<u>69.1</u>	<u>27.9</u>	<u>0.9</u>	<u>-</u>	<u>-</u>	<u>607.3</u>	<u>913.7</u>	<u>253.8</u>	<u>1,167.5</u>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended December 31,	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'m</i>	<i>HK\$'m</i>
Net cash (used in) from operating activities	(1.7)	94.7
Net cash used in investing activities	(46.5)	(74.0)
Net cash used in financing activities	(24.5)	(25.5)
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Net decrease in cash and cash equivalents	(72.7)	(4.8)
Cash and cash equivalents at April 1	334.6	307.2
Effect of foreign exchange rate changes	7.5	(5.9)
	<hr/>	<hr/>
Cash and cash equivalents at December 31	<b>269.4</b>	<b>296.5</b>
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Analysis of the balances of cash and cash equivalents:		
Bank deposits, bank balances and cash	279.3	300.0
Bank overdrafts	(9.9)	(3.5)
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	<b>269.4</b>	<b>296.5</b>
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Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Directors are responsible for preparing the Group's unaudited quarterly financials. These unaudited quarterly financials have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), which also include Hong Kong Accounting Standards ("HKASs") and Interpretations, including Hong Kong (International Financial Reporting Interpretations Committee) Interpretations ("HK(IFRIC)-INT"), issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), and accounting principles generally accepted in Hong Kong.

## 2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Consolidated Financial Statements for the year ended March 31, 2006.

The following new standards, amendments to standards and interpretations which are relevant to its operations are mandatory for financial year ending March 31, 2006:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net investment in a foreign operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HK(IFRIC)-INT 4	Determining whether an arrangement contains a lease

The adoption of new/revised HKAS 19 (Amendment), 21 (Amendment), 39 (Amendment), HKFRS 4 (Amendment) and HK(IFRIC)-INT 4 did not result in substantial changes to the Group's accounting policies.

The following new standards, amendments to standards and interpretation relevant to the Group's operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment

### 3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operations by business segment is as follows:

	Turnover Nine months ended December 31,		Contribution to profit/(loss) from operations Nine months ended December 31,	
	2006 HK\$'m	2005 HK\$'m	2006 HK\$'m	2005 HK\$'m
Sales and manufacture of:				
LCD Consumer Electronic Products	821.0	827.2	34.4	31.9
Telecommunication Products	294.1	220.1	(26.4)	(45.8)
Electronic Learning Products	681.2	652.6	70.4	52.0
Other consumer electronic products	72.9	309.7	(41.0)	(157.7)
	<u>1,869.2</u>	<u>2,009.6</u>	<u>37.4</u>	<u>(119.6)</u>
Interest income			3.9	4.4
Unallocated corporate expense			(5.1)	(8.6)
Finance costs			(23.0)	(17.6)
Profit/(Loss) before taxation			13.2	(141.4)
Taxation			(7.9)	(8.4)
Profit/(Loss) for the period			<u>5.3</u>	<u>(149.8)</u>

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

	Turnover Nine months ended December 31,	
	2006 HK\$'m	2005 HK\$'m
Americas	851.9	832.5
Europe	734.3	799.4
Asia Pacific	283.0	377.7
	<u>1,869.2</u>	<u>2,009.6</u>

### 4. (LOSS)/PROFIT BEFORE TAXATION

	Nine months ended December 31,	
	2006 HK\$'m	2005 HK\$'m
Profit/(Loss) before taxation has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	43.0	50.0
Amortisation of intangible assets	38.8	40.0
Loss on disposal of property, plant and equipment	6.3	9.8
and after crediting:		
Interest income	<u>3.9</u>	<u>4.4</u>

### 5. TAXATION

The credit (charge) consists of:

	Nine months ended December 31,	
	2006 HK\$'m	2005 HK\$'m
Taxation of the Company and its subsidiaries:		
Hong Kong Profits Tax	(11.2)	(13.3)
Tax in other jurisdictions	(0.7)	1.1
Deferred taxation	4.0	3.8
	<u>(7.9)</u>	<u>(8.4)</u>

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

As previously announced, protective assessments (the "Protective Assessments") totalling approximately HK\$57.4 million relating to years of assessment from 1997/98 to 2004/05 have been raised to one of the Group's subsidiaries on its offshore tax claim. The Group, with the advice from its tax advisor, is working on an appropriate basis of settlement with the Hong Kong Inland Revenue Department (the "HK IRD"). In the meantime, the Group has purchased tax reserve certificates of HK\$42.9 million in relation to years of assessment from 1997/98 to 2003/04 and has issued a bank guarantee of HK\$3.6 million in relation to year of assessment 2004/05. The amount of tax reserve certificates is included as "tax reserve certificate" in the balance sheet. No provision for Hong Kong Profits Tax in respect of the Protective Assessments had been made in the financial statements of the Group. An announcement will be made when further information is available.

**6. (LOSS)/EARNINGS PER SHARE**

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

	Nine months ended December 31,	
	2006	2005
	HK\$'m	HK\$'m
Loss for the period attributable to equity holders of the Company and loss for the purposes of basic earnings per share	<u>(10.5)</u>	<u>(164.0)</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,366,970,422	2,175,736,124
Effect of dilutive potential ordinary shares:		
Share options	<u>15,145</u>	<u>2,755,164</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,366,985,567</u>	<u>2,178,491,288</u>

The computation of diluted loss per share during both periods does not assume the exercise of the Company's share options since their conversion would result in a decrease in loss per share.

**7. TRADE AND OTHER RECEIVABLES**

The Group allows its trade customers a credit period normally ranging from letter of credit at sight to 60 days open account to customers with long business relationship and strong financial position.

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

	At December 31, 2006 HK\$'m	At March 31, 2006 HK\$'m
Not yet due	500.7	217.5
Overdue less than 31 days	78.5	17.8
Overdue 31 to 90 days	20.7	22.4
Overdue more than 90 days	<u>0.7</u>	<u>6.2</u>
	600.6	263.9
Other receivables	<u>90.1</u>	<u>92.9</u>
	<u>690.7</u>	<u>356.8</u>

The Group's trade receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB HK\$'m	US Dollars HK\$'m	Euro Dollars HK\$'m	New Zealand Dollars HK\$'m
As at December 31, 2006	0.2	162.1	-	2.4
As at March 31, 2006	1.8	84.8	3.1	-

**8. TRADE AND OTHER PAYABLES**

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

	At December 31, 2006 HK\$'m	At March 31, 2006 HK\$'m
Not yet due	105.2	84.6
Overdue less than 31 days	49.0	40.4
Overdue 31 to 90 days	17.6	17.3
Overdue more than 90 days	<u>20.4</u>	<u>12.6</u>
	192.2	154.9
Other payables	<u>316.6</u>	<u>215.0</u>
	<u>508.8</u>	<u>369.9</u>

The Group's trade payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	JPY HK\$'m	RMB HK\$'m	US Dollars HK\$'m	Euro Dollars HK\$'m	New Zealand Dollars HK\$'m
As at December 31, 2006	1.0	2.8	63.2	0.7	0.1
As at March 31, 2006	0.8	1.5	54.5	0.5	-

## 9. SHARE CAPITAL

	Number of shares	Amount HK\$'m
At April 1, 2006	2,085,225,907	208.5
Issue of shares on the rights issue	417,045,181	41.7
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At December 31, 2006	<u>2,502,271,088</u>	<u>250.2</u>

### BUSINESS REVIEW

#### *Results For The Three Months Ended December 31, 2006*

Turnover of the Group for the three months ended December 31, 2006 decreased 13% to HK\$709.1 million. Oregon Scientific branded sales was lowered by 13% to HK\$502.2 million and accounted for 71% of the Group's turnover. The sales of Electronic Learning Products was 7% less than that of last year mainly due to the lower sales of Superman products. The Group's ODM/OEM business of LCD Consumer Electronic Products and Telecommunications Products recorded a growth in sales of 29% and 42% respectively, while sales of Electronic Learning Products declined. As a result, overall ODM/OEM sales for the quarter dropped by 12% to HK\$206.8 million.

Despite the decline in turnover, the Group's gross profit margin increased from 37% last year to 42% for this year. This was attributable to the increased proportion of higher margin Oregon Scientific branded sales.

Profit before tax for the period was HK\$55.9 million, 17% higher compared to HK\$47.6 million in the corresponding period last year. Total operating expenses decreased by 2% to HK\$247.5 million, while selling expenses and R & D expenses decreased by 1% to HK\$158.9 million and 6% to HK\$27.0 million respectively. Administration expenses decreased by 3% to HK\$61.6 million.

Net profit attributable to equity holders of the Company for the three months ended December 31, 2006 was HK\$30.1 million, as compared with HK\$20.2 million in the corresponding period last year.

#### *Results For The Nine Months Ended December 31, 2006*

Turnover of the Group for the nine months ended December 31, 2006 was HK\$1,869.2 million, representing a 7% decrease against the corresponding period last year. Excluding the discontinued income generated by the clearance sales of digital camera and MP3 products in the same period last year, Oregon Scientific branded sales actually achieved a 6% turnover growth to HK\$1,218.1 million, accounting for 65% of the Group's total turnover. ODM/OEM sales decreased by 12% to HK\$651.1 million due to the decline in sales of Electronic Learning Products, sales of Telecommunications Products delivered a 48% growth and that of LCD Consumer Electronic Products only dropped a slight 2%.

Effective business strategies and corrective measures taken in the review period are what underpinned the gross profit margin improvement from 28% last year to 37% this year. It also drove gross profit up to HK\$691.2 million, representing a 23% increase as compared with the corresponding period last year.

At the effect of cost control measures and streamlining of operation, the Group's total operating expenses decreased by 5% to HK\$670.1 million, with a 3% reduction in selling expenses to HK\$394.4 million, a 6% reduction in administrative expenses to HK\$189.6 million and a 8% reduction in R & D expenses to HK\$86.1 million. Consequently, the Group's profit from operations was HK\$36.2 million this year as compared with loss of HK\$123.8 million last year.

Net loss attributable to equity holders of the Company for the nine months ended December 31, 2006 was HK\$10.5 million, as compared with a loss of HK\$164.0 million in the corresponding period last year.

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

**Oregon Scientific** sales decreased by 4% to HK\$1,218.1 million, representing 65% of the Group's total turnover. Business in Europe was lowered overall by 15% as compared with last year. Despite that sales to France and Germany was higher than that in same period last year, sales to other markets was soft. The USA became the largest market of Oregon Scientific driven by growth of both LCD Consumer Electronic Products and Electronic Learning Products. Brazil remained as the strongest new market in terms of sales performance. In Asia Pacific, the new strategy is to focus on selling products with higher margin and building critical mass business.

**LCD Consumer Electronic Products division** recorded a slight 1% decrease in sales to HK\$821.0 million, accounting for 44% of the Group's total turnover. Oregon Scientific branded sales were HK\$576.8 million, similar to that of last year and accounted for 70% of the division's total sales in the period. As for ODM/OEM sales, a 29% growth was reported in the third quarter, resulting in total year-to-date sales of HK\$244.2 million, only 2% less than that of the same period last year.

**Electronic Learning Products division** recorded sales of HK\$681.2 million, up 4% against the same period last year, representing 36% of the Group's total turnover. Oregon Scientific branded sales increased 22% to HK\$527.9 million, accounting for 77% of the division's total sales. Both Europe and Americas recorded strong sales in the second quarter, however, re-ordering was lower in the third quarter partly due to slow down of Superman products sales. ODM/OEM sales declined 61% in the third quarter and as a result total year-to-date sales dropped to HK\$153.3 million. To ensure recovery of the business, the Group has mapped out a business plan that focuses on new customers and new projects in the new financial year.

**Telecommunications Products division** sales increased by 34% to HK\$294.1 million against the same period last year. It accounted for 16% of the Group's total turnover during the period, up from 11% last year. Oregon Scientific branded sales was HK\$61.3 million, which accounted for 21% of the division's total sales. Effort to push these products through B2B channels and promotional programs in some markets has increased consumer awareness of the Oregon Scientific brand. ODM/OEM sales amounted to HK\$232.8 million, 48% higher than that of last year. By taking on more new projects and new customers during the review period, this division now has a broadened clientele and product portfolio.

## **PROSPECTS**

Through its continuous efforts to streamline cost structures, strengthen financial management, implement new product planning processes, realign business focuses on businesses with adequate margins, the Group saw a reduction in operating and selling expenses as well as improved profit margin for the nine months ended December 31, 2006. The Group will continue to overcome challenges by taking measures in rightsizing the organisation, reducing the operating expenses and lowering the inventory level. These factors, coupled with the traditionally slow selling season in the fourth quarter, will have negative impact on the result of the fourth quarter. However, the Group continues to enjoy a good financial position and the management is confident that the restructuring work that has been ongoing for the past 18 months will be completed to enable the Group to return on the path of profitable growth.

## **WORKING CAPITAL AND TREASURY MANAGEMENT**

Net current assets as at December 31, 2006 amounted to HK\$447.2 million, an increase of 9% from last year. In comparison with the same period last year, inventories dropped by 13% to HK\$398.2 million, trade receivables increased by 15% to HK\$600.6 million and trade payable increased by 42% to HK\$192.2 million. Inventories turnover was 98 days, up from 87 days last year and debtors turnover was 98 days, up from 71 days last year.

Net cash balances at December 31, 2006 were HK\$116.7 million, compared to HK\$41.4 million last year. After completing the rights issue of HK\$124.2 million in July this year, the Group's working capital situation has been much strengthened.

As at December 31, 2006, short-term bank borrowings was HK\$435.6 million, it was significantly lower than HK\$531.6 million of last year. Short-term bank borrowings were in relation to bills payable, import loans, revolving bank loans used for currency hedging purposes and bank overdrafts.

The Group maintained with Double-A rated financial institutions the level of HK\$273.0 million high yield deposits as at December 31, 2006 which is the same as last year. 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 stems 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, 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.

## **DIVIDEND**

It is the Group's policy to declare dividend only at half-year and year-end. Therefore, the Directors do not recommend the payment of a dividend for the nine months ended December 31, 2006 (2005: nil).

## **CONTINGENT LIABILITIES**

At December 31, 2006, the Group had no contingent liabilities (2005: nil).

## **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, 2006.

## **CORPORATE GOVERNANCE**

The Group is committed to achieving high corporate governance standards. In the nine months ended December 31, 2006, the Group had applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the 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 2006 Annual Report issued in July 2006.

## REVIEW OF ACCOUNTS

The Audit Committee had reviewed with the management of the Company the unaudited financial statements and the results of the Group for the nine months ended December 31, 2006.

## APPRECIATION

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

On behalf of the board of directors  
**Dr. Raymond Chan**  
*Chairman & Chief Executive Officer*

Hong Kong, February 13, 2007

*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>

Please also refer to the published version of this announcement in The Standard.