



IDT International Limited
萬威國際有限公司

[For Immediate Release]

IDT International Announces 2004/05 Full Year Results

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Turnover Increases 5% to HK\$2,894.7 Million

Net Profit Amounts to HK\$130.0 Million

Sales from Oregon Scientific Accounts for 49% of Total Turnover

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**Extends Global Brand Presence and Strengthens Channel
Management**

Highlights

- ✧ **Europe and US markets experienced volatility while Asia Pacific delivered satisfactory growth in Oregon Scientific business**
- ✧ **Contrasting performance of DMP and TEL changed the mix of ODM/OEM substantially**
- ✧ **Investment in staff costs and facilities to build stronger product development and sales and marketing operations drove operating expenses up 13%**
- ✧ **New R&D centre established to support continuous product development**
- ✧ **Inventory control remained focus of working capital management**

(Hong Kong, 26 May 2005) -- Leading consumer electronic products enterprise, **IDT International Limited** ("IDT International" or the "Group") (SEHK code: 167), today announced its full year results for the year ended 31 March 2005.

During the year under review, the Group's turnover increased 5% to HK\$2,894.7 million, compared with last year's HK\$2,757.3 million. Net profit amounted to HK\$130.0 million. Earnings per share were 6.2 HK cents (FY2003/04: 12.1 HK cents per share). The Directors has recommended the payment of a final dividend of 5.0 HK cents per share for the year (FY2003/04: 6.0 HK cents per share). Together with the interim dividend of 3.0 HK cents per share, the total dividend for the year will be 8.0 HK cents.

Dr. Raymond Chan, Chairman and CEO of IDT International, said, "Fiscal year 2005 was a challenging year to IDT. We invested resources in product development and sales and marketing operations. However, Europe and US markets experienced some volatility caused by both external and internal factors. The higher double digit growth in Asia Pacific resulted in 2% overall growth of Oregon Scientific sales. On the other hand, 140% increase in DMP and 28% decrease in TEL within ODM/OEM sales changed the mix substantially and further diluted the margin due to the competitive market situation of DMP. Despite 5% growth in turnover, both gross margin and net profit were affected by those challenges. "

A Summary of Operations Review

Oregon Scientific Products (49% of total turnover)

Oregon Scientific's sales as a percentage of each product division:

- 66% of the LCD Consumer Electronic Products division ("LCD"),
- 13% of the Telecommunication Products division ("Telecom"),
- 29% of the Digital Media Products division ("DMP"), and
- 70% of the Electronic Learning Products division ("ELP").

For the year ended 31 March 2005, sales from Oregon Scientific post a 2% increase to HK\$1,427.1 million, accounting for 49% of the Group's total turnover. Growth from both the LCD and TEL divisions was counter-balanced by the decrease in DMP and ELP divisions. Asia Pacific delivered significant growth for Oregon Scientific, with sales achieving a 74% increase following the Group's brand building and channel development strategies in the region. The total number of Oregon Scientific retail stores in the region increased from 3 to 12 in the year. With the increased channel coverage for LCD Consumer Electronic Products and DMP Products, Australia recorded an encouraging growth of 39% in the year. Brazil saw an overall sales increment across the entire Oregon Scientific product portfolio, achieving an impressive sales growth of 222% over last year.

Sales in Europe remained at the same level as in the previous fiscal year. Within the region, France and Spain achieved sales growth while the UK and Germany markets were affected by their weakening economy and the Group's internal organizational restructuring. As for Italy, despite its satisfactory growth in both the DMP and ELP divisions, the Group's strategic change in its distribution mode from selling to distributors to selling directly to mass retailers in some channels had led to a slow down of the LCD Consumer Electronic Products business. The US, another major market of the Group, saw a 57% increment in sales of LCD Consumer Electronic Products attributable to its success in developing major retailer accounts during the year. However, the sales from both the DMP and ELP divisions in the US market dropped because of competition and pricing pressures.

LCD Consumer Electronic Products (41% of total turnover; up 14% on YOY basis)

This division continued to be the largest one with sales valued at HK\$1,199.2 million, up 14% from last year. Despite the weaker sales recorded in the European market, growth was significant in the US and Asia Pacific markets which together saw an overall 13% increase compared with last fiscal year. Meanwhile, ODM/OEM sales also increased 17% driven by new products offerings, particularly in time and weather and sports & fitness categories, and new customer wins.

Telecommunication Products (19% of total turnover; down 25% on YOY basis)

As a result of fierce competition in the US cordless phone market and less sales to a major customer in the telco operator market, sales declined 25% to HK\$542.2 million. Sales from Oregon Scientific branded products in this division increased from 9% to 13% of the total sales.

Digital Media Products (20% of total turnover; up 51% on YOY basis)

The division recorded a 51% sales growth to HK\$582.3 million. As a result of developing key customers during the year, sales from ODM/OEM operations continued to increase to HK\$413.7 million, 140% ahead of last year. The division was successful in providing large volume of new products to some new major accounts, from which accounted for more than 3 quarters of the ODM / OEM sales. To regain its profitability, the Group is scaling the business to achieve right sizing, consolidating its digital camera and MP3 product line up and planning to launch new product category to turnaround the operating loss situation.

Electronic Learning Products (20% of total turnover; down 4% on YOY basis)

The division reported sales to HK\$563.5 million. The division is planning to launch a number of new products this summer. These products have received very positive initial market responses. Moreover, the Group is confident that its ODM / OEM business will grow in the new fiscal year as new accounts are added and more sales will be generated from existing accounts.

Mr. Alain Li, Executive Director and CFO of IDT International, commented on the business performance, "We saw a prevailing soft situation in Europe in the fourth quarter. Given the volatile market situation and the margin pressure from the competitive DMP Products, our performance has been impacted in the short term."

For the year ended 31 March 2005, the Group inventories valued at HK\$734.5 million. Mr. Alain Li explained, "The substantial increase in inventories was due to increase in work in progress to meet the ODM/OEM order shipment of the DMP division in April 2005 and higher level of finished products in overseas sales offices to support the continuous development of our market, in particular for LCD Consumer Electronic Products, and to cater for shorter delivery lead time requirement in selling directly to mass retailers. We are proactively reviewing the entire supply chain and implementing measures to control the inventory level."

Dr. Chan concluded, "We will concentrate management resources on growing our business through initiatives such as launching innovative products, capturing existing markets and exploring new channels. We will also continue to develop both ODM/OEM and Oregon Scientific businesses so as to fully exploit market opportunities. During the year, we accomplished a series of milestone, although the resources invested did not bring immediate rewards. We believe, however, our strengthened fundamentals will enable us to generate rewarding returns in the near future. The success of our retail store strategy in Asia Pacific provides a strong platform for our retail store rollout plan in the US and Europe to generate future sales growth and higher brand recognition. The Group has plans to launch a series of new products including Batman licensed electronic learning products, audio products and youth electronic products."

Today at 19:00 (HK time), the management will host a conference call for interested investors followed by a question and answer period. The public is invited to view the webcasting of the results presentation on the Internet at <http://www.idthk.com> on the Investor Relations page.

About IDT International:

IDT International is a holding company which shares are publicly listed on The Stock Exchange of Hong Kong Limited.

Headquartered in Hong Kong, IDT International and member company, IDT Holdings (Singapore) Limited (listed on The Singapore Exchange Securities Trading Limited), are engaged in the design, development, manufacture, sales and marketing of innovative consumer electronic products featuring state-of-the-art liquid crystal display and microprocessor technology. The Group's core businesses include LCD Consumer Electronic Products, Telecommunication Products, Digital Media Products and Electronic Learning Products. Marketing is undertaken globally through 15 sales and marketing offices in the US, Italy, the UK, Spain, France, Germany, Australia, Brazil, China, Japan, Singapore and Hong Kong. It has established research and development resources in both Hong Kong and China while its manufacturing facilities are centred in Xixian, Shenzhen, China.

For more corporate and product information on the IDT Group and Oregon Scientific, please access our websites at <http://www.idthk.com> or <http://www.oregonscientific.com>.

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