



IDT International Limited
萬威國際有限公司

For Immediate Release

IDT International Announces 2005/06 Full Year Results

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Turnover Reaches HK\$2,373.2 million
Net Cash Amounts to HK\$334.6 million

Highlights

At the dedicated efforts of the management to realign business and streamline cost structure, the performance has been 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 27% to HK\$173.3 million
- Having right-sized the structure and with its solid business foundation, the Group is well-positioned to achieve a business recovery and growth

(Hong Kong, May 29, 2006) -- 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 March 31, 2006.

During the year under review, the Group's turnover was HK\$2,372.2 million, representing a decrease of 18% when compared with the last financial year. Gross profit amounted to HK\$623.2 million, with 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 attributable to shareholders for the year ended March 31, 2006 was HK\$263.4 million. The increased overseas sales and marketing headcounts and the expanded cost structures 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 Directors do not recommend the payment of a final dividend for the year ended March 31, 2006.

Dr. Raymond Chan, Chairman and CEO of IDT International, said, "Fiscal year 2006 was another challenging year for IDT. During the review period, we have undertaken a series of measures to improve cost effectiveness and operational efficiency which included exit from the low margin and price competitive digital media product categories and shifting our focus to products that agree with our smart-living lifestyle product concepts and boast higher margins. Furthermore, we embarked on major restructuring and cost cutting initiatives to streamline our overseas sales and marketing organizations, and product divisions. Our effective working capital management effort substantially reduced our inventory and accounts receivable levels, resulting in a net cash inflow amount of HK\$186.0 million from operating activities albeit the operating loss of HK\$217.3 million this year."

A Summary of Operations Review for the year ended March 31, 2006

Oregon Scientific

Oregon Scientific recorded a moderate sales increase of 1% to reach HK\$1,443.4 million, representing 61% of the Group's total turnover. In addition to boosting its 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 Group's spearhead Electronic Learning Product. As for Oregon Scientific's sports and fitness products, as the second best selling brand of its kind in Brazil, it achieved a 19% surge in sales in the market during the review period.

To strengthen its market position in Europe, the Group adopted a new distribution strategy entailing the launch of a new line of timing and weather forecast products with the aim of boosting its market share in all channels. 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 in Europe.

ODM / OEM

ODM/OEM sales, accounting for 39% of the Group's total turnover, decreased by 37% to HK\$928.9 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's revenue contributions to individual product divisions are as follows:

- 48% - LCD Consumer Electronic Products Division
- 33% - Electronic Learning Products Division
- 5% - Telecommunications Products Division
- 14% - Digital Media Products Division

LCD Consumer Electronic Products Division

It remained as the Group's largest revenue contributor with sales at HK\$994.6 million, down 17% from last year. There was no reduction in the quantity of products sold in major markets but clearance of excessive inventory at repositioned prices dragged down the average selling price and the gross profit margin of branded sales.

To counter the trend of products becoming commoditized, 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.

Electronic Learning Products Division

Sales increased by 30% to HK\$733.3 million compared with last year, accounting for 31% of the Group's turnover. Sales of Oregon Scientific branded 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 in the fourth quarter the successful launch in the US of the award winning "SmartGlobe[™]", the world's first interactive learning product which can be updated via the Internet.

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 "SmartPen[™]" with children textbooks. The product offers thousands of choices of interactive learning contents and interesting games for different age groups.

Telecommunications Products Division

Sales were HK\$294.3 million, representing 12% of the Group's turnover, down from 19% last 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 to bring out its lifestyle smart-living product concepts. The strategy, which saw the division recording a 12% increase in branded sales, will be continued. ODM/OEM sales decreased from HK\$473.5 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.

Digital Media Products Division

Sales were HK\$338.7 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\$198.2 million.

Outlook

Looking ahead, 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 the challenges, the Group has measures in place to improve production efficiency and enhance the product planning process. These measures will allow the Group to strengthen its leadership in product innovation, sustain business growth and relieve the pressure on its 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 its 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 and meet market and customer demands, the Telecommunication Products division will continue to invest in the development of high radio frequency digital products and new products with innovative features enabled by advanced technologies. The division has on hand a satisfactory order book and promising order forecasts from new customers in the US and Europe.

Dr. Raymond Chan concluded, "With improvement measures working and actions taken bearing fruits, we will push on to achieve a business recovery in the new financial year, barring any unforeseen adverse market conditions."

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About IDT International:

IDT International is a holding company whose 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, sale and marketing of innovative consumer electronic products featuring state-of-the-art liquid crystal display and microprocessor technology. Its core businesses include LCD Consumer Electronic Products, Telecommunications 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. Research and development resources have been established 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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