



IDT International Limited
萬威國際有限公司

[For Immediate Release]

IDT International Announces FY2006 First Quarter Results

Highlights

- Q1 FY2006 turnover increased 9% compared with Q1 FY2005
- 28% increase in Oregon Scientific branded sales accounting for 51% of the Group's total turnover
- Inventory reduction plans implemented resulting in HK\$46.7 million decrease compared with March 2005
- Net loss of HK\$62.2 million mainly due to competitive environment in digital media market

(Hong Kong, 10 August 2005) -- Leading consumer electronic products manufacturer and brand distributor, **IDT International Limited** ("IDT International" or the "Group") (HKSE code: 167), today announced its unaudited results for the first quarter ended 30 June 2005.

In the first quarter FY2006, turnover increased 9% to HK\$554.8 million, compared with last year's HK\$507.4 million. Oregon Scientific branded sales were 28% higher than the corresponding period last year, accounting for 51% of the Group's total turnover, compared with 44% in the first quarter FY2005. The overall sales increment was driven by the rewarding sales from both Digital Media Products (up 221% against the first quarter of FY2005) and Electronic Learning Products (up 51% against the first quarter of FY2005).

Gross profit decreased by 21% to HK\$143.1 million while gross profit margin was 26% compared with 36% of the corresponding period last year. The decrease in gross profit margin was mainly due to two reasons. Firstly, the gross profit margin was impacted by a higher mix of Digital Media Products in both branded sales and ODM/OEM sales which accounted for 26% of this period's total sales compared with 11% of the same period last year. Secondly, in response to competitive market conditions prices were repositioned in a number of product lines that drove branded sales growth and helped reduce inventories. Net loss for the period was HK\$62.2 million, compared with profit of HK\$25.9 million in the corresponding period last year.

Dr. Raymond Chan, Chairman and CEO of IDT International, said, "The operating environment in the first quarter remained challenging and our overall profit margin was impacted further. While our overall sales performance was encouraging attributable to the sales growth of our branded and ODM/OEM products, especially Digital Media Products and Electronic Learning Products, our margins were under pressure. The increased sales and marketing organisations and modernisation of our operating facilities in FY2005 led to an increase in total operating expenses."



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Mr. Alain Li, Executive Director and CFO of IDT International, said, "In the first quarter, our gross profit was adversely affected due to the higher product mix of Digital Media Products in both branded sales and ODM/OEM sales. To reduce inventory, we re-aligned the selling price of some products. We will continue to reduce the level of finished products in our overseas sales offices and enhance our strategies including sell-through analysis to improve inventory planning and rationalisation of our product lines. Looking forward, we are working on a number of new product introductions including our new Audio line to improve margins. "

A Summary of Operations Review

Oregon Scientific (51% of total turnover)

Sales of Oregon Scientific products increased by 28% to reach HK\$284.1 million, accounting for 51% the Group's turnover. Sales in Europe increased 22%. All European markets reported double-digit growth in sales with the exception of the UK where the retail environment was particularly challenging. Meanwhile, the US also recorded double-digit growth in sales and strong result was recorded as well in Brazil, which exceeded last year's sales by 149%. In Asia Pacific, Australia continued to be the major market where Digital Media Products, Electronic Learning Products and Telecommunications Products delivered robust performance driving the total sales of the region up by 45% over last year's. In terms of contribution to individual product divisions, Oregon Scientific sales accounted for:

- 67% of the LCD Consumer Electronic Products division,
- 29% of the Telecommunications Products division,
- 40% of the Digital Media Products division, and
- 48% of the Electronic Learning Products division.

LCD Consumer Electronic Products (40% of total turnover)

This division remained the largest sales contributor at HK\$221.8 million. Whilst branded sales was at the same level as last year, ODM/OEM sales were down by 13% mainly due to the reduced orders from some major US accounts.

Telecommunications Products (13% of total turnover)

The division reported sales decreased by 52% to HK\$69.2 million in the first quarter FY2006. Sales of the Oregon Scientific brand were HK\$19.9 million, which accounted for 29% of the division's total sales, up from 11% against the same period last year. ODM/OEM sales were lower than last year by 61%, at HK\$49.3 million. Though the lower sales trend will continue in the short term, the division is cultivating a number of new major accounts and has already secured orders for the end of this year and beyond for new products under development.

Digital Media Products (26% of total turnover)

The division recorded an impressive sales growth of 169% to HK\$145.3 million. Oregon Scientific sales were HK\$58.5 million, up 221%. Meanwhile, ODM/OEM sales recorded an increase of 142% to HK\$86.8 million. The Group expects shipments to some major accounts to reduce substantially after the first quarter and in some cases be delayed to the second half of the year. However, in the second quarter FY2006, the division will launch its new line of Oregon Scientific Audio Products which consists of four new products with unique technical and design features. The Audio Products have been well received by the trade and listings have been secured.



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Electronic Learning Products (21% of total turnover)

The division achieved HK\$117.6 million in sales for the first quarter, up 58%. Both Oregon Scientific branded sales and ODM/OEM sales were up, by 51% and 65% respectively, as compared with the same period last year. The growth was mainly attributable to the new licensed products introduced to the market in the period and increased shipments to major ODM/OEM accounts.

Dr. Chan concluded, "Despite the challenging market environment, we have taken proactive steps to redress the situation. The order book for ODM/OEM business fell behind that of last year's as anticipated because of the lower shipments of Digital Media Products and Telecommunications Products. We will continue to be focused on our inventory reduction efforts. On the other hand, the launch of newly licensed Electronic Learning Products and new Audio Products will drive higher margin in the second and third quarters. We are confident that these short term measures to focus on the more profitable business areas of the Group will further strengthen our business in the future."

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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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