



RAYMOND CHAN, JP
Chairman & Chief Executive Officer

Dear shareholders,
 on behalf of the
 Board of Directors,
 I am pleased to
 present IDT
 International
 Limited's annual
 report for the year
 ended
 March 31, 2006.

The Group faced unprecedented challenges in the financial year ended March 31, 2006. Although revenue of its Electronic Learning Products business recorded double digit growth, the Group's LCD Consumer Electronic Products division delivered less than satisfactory performance. The Telecommunication Products division also saw a drop in sales and compounding the situation was the clearance of digital media product inventory during the year under review.

The Group's performance was the result of several adverse factors. Severe price competition in the market commoditised products such as digital cameras and MP3 players which the group failed to compete on price. The overly optimistic sales projections for high-end feature-rich models of LCD consumer electronic products and accordingly investment in sales force overseas pushed up operating and administrative expenses. The additional operating costs of the expanded sales force, however, were not compensated for as a result of decreased revenue and profit margins of high-end LCD products sold at re-positioned price and the clearance of inventory of digital cameras and MP3 players.

To combat the challenging operating conditions, the Group undertook a series of measures to improve cost effectiveness and operational efficiency. These measures included exiting from the low margin and price competitive digital media product categories and reducing the number of products in different product categories to counter shortening product lifecycles. The Group shifted its focus on to developing products that agree with its lifestyle product concepts and also deliver higher margins. It also streamlined the structure of its overseas sales and marketing organisations and product divisions to lower costs. Recognising the importance of improving the accuracy of order forecast and materials planning, the Group has enhanced supply chain management to strengthen inventory control and working capital management. It has also been pushing for greater efficiency in all operational aspects, realigning its businesses and streamlining its cost structures to strive for better financial results.

DIVIDENDS

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



OUTLOOK

Oregon Scientific will continue to expand its distribution networks by appointing new distributors in new markets with growth potential. New group management personnel coming on board is expected to take Oregon Scientific business to the next level. Continuous growth in sales and profitability is anticipated for the Electronic Learning Products division, which will be extended to include from early learning devices to youth electronic products, realising the division's goal to effectively brace the learning path of youngsters. It will also boost ODM business to mitigate the cyclical nature of the toy business. As for the Telecommunication Products division, it will focus on developing high radio frequency digital products and products with innovative features enabled by advanced technologies.

The Group has in place measures to improve production efficiency and enhance product planning. These measures will allow the Group to strengthen its leadership in product innovation, sustain business growth and relieve the pressure on its margin. With the Group's business strategically repositioned and improvement measures taken bearing fruit, the management is optimistic about the Group's recovery from the business restructuring. The Group will reinforce its position in the consumer electronics products market for it to take up any challenges ahead.

APPRECIATIONS

On behalf of the Board, I would like to extend my gratitude to our management teams and staff for their tireless efforts and devotion to serving the Group during the year ended March 31, 2006. Our employees are our valuable asset and driving force. I would also like to express my deepest appreciation to my fellow directors for their valuable support and guidance. My sincere thanks also go to our customers, suppliers, bankers, business partners and shareholders for their continuous support and confidence in the Group.

Raymond Chan, JP
Chairman & Chief Executive Officer

May 29, 2006
Hong Kong