IDT INTERNATIONAL LIMITED
萬威國際有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 167)

FURTHER ANNOUNCEMENT ON THE AUDITED ANNUAL RESULTS (For the year ended 31 December 2019)

AUDITED ANNUAL RESULTS

Reference is made to the announcement of IDT International Limited (the "**Company**"), dated 31 March 2020 in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the "**Unaudited Annual Results Announcement**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

AUDITOR'S AGREEMENT ON THE 2019 ANNUAL RESULTS

The Board is pleased to announce that the Company's auditor, Mazars CPA Limited, has completed the audit of the Group's consolidated financial statements for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The audited annual results for the year ended 31 December 2019 were approved by the Board on 11 June 2020, details of which are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	**2019** ***HK$ million***	2018 *HK$ million* (Restated)
Revenue	4	**270.4**	433.2
Cost of goods sold		**(239.9)**	(404.3)
Gross profit		**30.5**	28.9
Other income		**16.4**	15.7
Other losses, net		**(7.7)**	(11.5)
Reversal (Charge) of loss allowance on trade receivables		**7.7**	(10.3)
Impairment loss on goodwill		**–**	(33.8)
Research expenses		**(29.1)**	(39.2)
Distribution and selling expenses		**(34.6)**	(84.4)
General administrative expenses		**(61.2)**	(65.5)
Finance costs	5	**(5.1)**	(3.2)
Loss before taxation	5	**(83.1)**	(203.3)
Taxation	6	**–**	(12.3)
Loss for the year		**(83.1)**	(215.6)
Other comprehensive income (loss):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1.0**	(5.9)
Total comprehensive loss for the year		**(82.1)**	(221.5)
Loss for the year attributable to:			
– Owners of the Company		**(83.1)**	(215.6)
– Non-controlling interests		**–**	–
		(83.1)	(215.6)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(82.1)**	(221.5)
– Non-controlling interests		**–**	–
		(82.1)	(221.5)
Loss per share			
– Basic and diluted *(HK cents)*	7	**(3.20)**	(8.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$ million	2018 HK$ million
Non-current assets			
Property, plant and equipment		**11.8**	27.6
Right-of-use assets		**4.8**	–
Intangible assets		**–**	2.6
Goodwill		**–**	–
Rental deposits		**3.4**	6.5
Prepaid rental		**–**	0.1
		20.0	36.8
Current assets			
Inventories		**16.8**	74.8
Trade and other receivables	8	**47.1**	81.3
Bank balances and cash		**18.0**	22.3
		81.9	178.4
Current liabilities			
Trade and other payables	9	**78.7**	117.8
Lease liabilities		**5.0**	–
Tax payable		**11.8**	12.3
Borrowing		**39.2**	37.4
Contract liabilities		**23.3**	58.2
Loan from a shareholder		**69.0**	–
		227.0	225.7
Net current liabilities		**(145.1)**	(47.3)
Non-current liabilities			
Loan from a shareholder		**–**	32.5
NET LIABILITIES		**(125.1)**	(43.0)
Capital and reserves			
Share capital		**260.0**	260.0
Reserves		**(385.2)**	(303.1)
Equity attributable to owners of the Company		**(125.2)**	(43.1)
Non-controlling interests		**0.1**	0.1
NET DEFICIT		**(125.1)**	(43.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

IDT International Limited (the "**Company**", together with its subsidiaries are collectively referred to as the "**Group**") was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company is located at Block C, 9th Floor, Phase I, Kaiser Estate, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the design, development, manufacture, sales and marketing of various consumer electronic products.

2. BASIS OF PRESENTATION

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") which is the same as the functional currency of the Company. All amounts have been rounded to the nearest hundred thousand.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in note 3 to the consolidated financial statements.

Going concern

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$145.1 million at 31 December 2019, the Group's total liabilities exceeded its total assets by approximately HK$125.1 million as of that date, and that the Group incurred a loss of approximately HK$83.1 million for the year then ended.

The directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements, after taking into consideration of the following:

1. China Huaneng Foundation Construction Investment Limited ("**Huaneng**"), the largest shareholder of the Company and its controlling shareholder, has committed and has proved its ability to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due. Huaneng had further made a net advancements of approximately HK$78.1 million subsequent to 31 December 2019 and up to the date of approval of the consolidated financial statements;

2. Huaneng has undertaken that the repayment of its loan to the Group of approximately HK$69.0 million at 31 December 2019 will not be requested within twelve months from the date of approval of the consolidated financial statements, unless the Group has obtained funding from other sources and is in a position to meet all repayment obligations at that time;

3. the Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flow from its operation in future;

4. upon the expiry of the borrowing from a financial institution on 8 December 2017, the Group was negotiating with the financial institution for the renewal of the outstanding borrowing with interest payable amounted to approximately HK$39.2 million at 31 December 2019. On 27 March 2020, the Group had successfully renewed the outstanding borrowing and interest payables with new maturity date on 31 March 2026; and

5. the Group is actively exploring the availability of alternative source of financing.

Having regard to the cash flow projection of the Group, which are prepared assuming that the above measures are successful, the directors of the Company are of the opinion that, in the light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements. The directors of the Company believe that the aforementioned measures will be successful, based on the continuous efforts by the management of the Group.

However, should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Company's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise.

3. APPLICATION OF NEW/REVISED HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Annual Improvements Project – 2015–2017 Cycle

HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the HK(IFRIC)-Int 23 does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "**DIA**") using the modified retrospective approach in which comparative information has not been restated.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either:

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 8%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	HK$ million
Operating lease commitments at 31 December 2018	28.9
Discounted using the lessee's incremental borrowing rate at the DIA	25.3
Less:	
Short-term leases with remaining lease term ending on or before 31 December 2019	(0.2)
Lease liabilities at 1 January 2019	25.1

At the DIA, right-of-use assets were presented within the line item "Right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

As a result, adjustments were made at the DIA to reflect the changes in presentation:

	31 December 2018	**Adjustments**	**1 January 2019**
	HK$ million	*HK$ million*	*HK$ million*
Non-current assets			
Right-of-use assets	–	25.1	25.1
Current liabilities			
Lease liabilities	–	(20.1)	(20.1)
Non-current liabilities			
Lease liabilities	–	(5.0)	(5.0)
	–	–	–

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outside corporate customers, net of sales related taxes. Revenue represents mainly Oregon Scientific branded sales ("**Branded Sales**") and original equipment manufacturer and original design manufacturer sales ("**OEM/ODM Sales**"). The revenue is disaggregated below.

	Smart learning, and immersive technology *HK$ million*	**Connected home and communications** *HK$ million*	**Health and wellness** *HK$ million*	**Others** *HK$ million*	**Total** *HK$ million*
Year ended 31 December 2019					
Timing of revenue recognition					
At a point in time	**64.7**	**59.1**	**88.0**	**58.6**	**270.4**
Year ended 31 December 2018					
Timing of revenue recognition					
At a point in time	55.4	140.4	166.1	71.3	433.2

Performance obligations for contracts with customers

Sales of goods (revenue recognised at a point in time)

The Group sells various consumer electronic products to corporate customers. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term for customers is normally 30 to 90 days upon delivery.

During the years ended 31 December 2019 and 2018, all performance obligations for sales of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at the end of the reporting period is not disclosed.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors and chief executive officer, being the CODM, in order to allocate resources to the segments and to assess their performance. The Group operates in four operating and reportable segments, namely smart learning and immersive technology, connected home and communications, health and wellness as well as others.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Smart learning, and immersive technology *HK$ million*	**Connected home and communications** *HK$ million*	**Health and wellness** *HK$ million*	**Others** *HK$ million*	**Total** *HK$ million*
Year ended 31 December 2019					
Segment revenue					
Branded sales	**64.7**	**23.2**	**1.4**	**–**	**89.3**
OEM/ODM sales	**–**	**35.9**	**86.6**	**58.6**	**181.1**
Total segment revenue	**64.7**	**59.1**	**88.0**	**58.6**	**270.4**
Segment loss	**(24.3)**	**(18.7)**	**(15.4)**	**(4.0)**	**(62.4)**
Unallocated income					**16.4**
Unallocated expenses					**(32.0)**
Finance costs					**(5.1)**
Loss before taxation					**(83.1)**

	Smart learning, and immersive technology *HK$ million*	Connected home and communications *HK$ million*	Health and wellness *HK$ million*	Others *HK$ million*	Total *HK$ million*
Year ended 31 December 2018					
Segment revenue					
Branded sales	55.4	80.8	19.8	5.5	161.5
OEM/ODM sales	–	59.6	146.3	65.8	271.7
Total segment revenue	55.4	140.4	166.1	71.3	433.2
Segment loss	(5.1)	(53.1)	(74.3)	(48.7)	(181.2)
Unallocated income					11.1
Unallocated expenses					(30.0)
Finance costs					(3.2)
Loss before taxation					(203.3)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

Segment loss represents the loss earned by each segment without allocation of interest income, income from subleasing of right-of-use assets/rented premises, other miscellaneous income, unallocated expense such as central administrative costs and finance costs. This is the measure reported to the Group's CODM, for the purposes of resource allocation and performance assessment.

No segment assets and segment liabilities are presented as such amounts are not reviewed by the Group's CODM for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's CODM.

Other segment information

	Smart learning, and immersive technology *HK$ million*	**Connected home and communications** *HK$ million*	**Health and wellness** *HK$ million*	**Others** *HK$ million*	**Total** *HK$ million*
Year ended 31 December 2019					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation					
– Property, plant and equipment	**5.6**	**4.4**	**1.1**	**1.5**	**12.6**
– Intangible assets	**–**	**–**	**–**	**0.5**	**0.5**
Write-down of inventories	**4.3**	**4.0**	**5.9**	**3.9**	**18.1**
Impairment loss on advances to suppliers	**1.0**	**0.9**	**1.3**	**0.8**	**4.0**
Loss on disposals of property, plant and equipment	**3.7**	**0.5**	**–**	**–**	**4.2**
Loss on disposals of intangible assets	**–**	**–**	**–**	**2.1**	**2.1**

	Smart learning, and immersive technology *HK$ million*	Connected home and communications *HK$ million*	Health and wellness *HK$ million*	Others *HK$ million*	Total *HK$ million*
Year ended 31 December 2018					
Amounts included in the measure of segment profit or loss:					
Impairment loss on goodwill	–	16.3	17.5	–	33.8
Depreciation and amortisation					
– Property, plant and equipment	6.4	5.1	1.2	1.8	14.5
– Intangible assets	–	–	–	0.7	0.7
Write-down of inventories	14.1	20.2	–	0.3	34.6
Loss on disposals of property, plant and equipment	5.0	–	–	–	5.0

Geographical information

The Group's operations are located in Asia Pacific, Europe and Americas (representing the United States of America and Latin America). The Group carries out its manufacturing and trading operations in Hong Kong and the People's Republic of China (the "**PRC**"). The Group also operates marketing offices in Europe, Americas and other Asia Pacific countries.

Information about the Group's revenue from external customers is presented based on the location of customers are detailed below:

	2019	2018
	HK$ million	*HK$ million*
PRC (country of domicile)	**11.0**	37.4
Asia Pacific (excluding PRC)	**58.2**	46.9
Americas	**49.2**	83.3
Europe	**149.4**	256.3
Others	**2.6**	9.3
	270.4	433.2

Over 95% (2018: 95%) of non-current assets of the Group are located in the PRC.

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	2019	2018
	%	*%*
Customer "A"	**26**	29
Customer "B"	**16**	–*

Revenue from Customer "A" was generated from (i) health and wellness segment and (ii) others segment; whereas revenue from Customer "B" was generated from (i) connected home and communications segment and (ii) smart learning, and immersive technology segment.

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group during the respective year.

5. LOSS BEFORE TAXATION

This is stated after charging:

	2019	2018
	HK$ million	*HK$ million*
Finance costs		
Interest on borrowing	**3.8**	3.2
Interest on lease liabilities	**1.3**	–
	5.1	3.2
Staff costs		
Directors' emoluments	**0.4**	1.3
Retirement benefits scheme contributions for other staff	**13.7**	18.3
Salaries and other benefits for other staff	**90.9**	126.0
Total staff costs*	**105.0**	145.6
Amortisation of intangible assets (included in "General administrative expenses")	**0.5**	0.7
Auditor's remuneration		
– Audit services	**1.2**	2.6
– Non-audit services	**0.1**	0.6
Cost of inventories	**221.8**	369.7
Write-down of inventories (included in "Cost of goods sold")	**18.1**	34.6
Impairment loss on advances to suppliers	**4.0**	–
Depreciation of right-of-use assets (included in "General administrative expenses")	**20.3**	–
Depreciation of property, plant and equipment*	**12.6**	14.5
Rental expenses recognised under short-term leases	**0.2**	–
Minimum lease payments under operating leases for		
– Office equipment and motor vehicles	**–**	0.2
– Rented premises	**–**	20.3

* The amounts include staff costs and depreciation of property, plant and equipment charged to profit or loss and capitalised in "Inventories", as appropriate.

6. TAXATION

	2019	2018
	HK$ million	*HK$ million*
Current tax		
– Under-provision in prior year	**–**	12.3

The tax charge for the year is reconciled to the loss before taxation as follows:

	2019	2018
	HK$ million	*HK$ million*
Loss before taxation	**(83.1)**	(203.3)
Tax credit at the domestic income tax rate of 16.5%	**(13.7)**	(33.5)
Tax effect of expenses not deductible for tax purpose	**1.2**	0.1
Tax effect of income not taxable for tax purpose	**–**	(0.3)
Tax effect of tax losses not recognised	**12.3**	28.6
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.7)**	(7.8)
Under-provision in prior year	**–**	12.3
Tax effect of deductible temporary difference not recognised	**1.7**	13.1
Utilisation of tax losses previously not recognised	**(0.8)**	(0.2)
Tax charge for the year	**–**	12.3

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

At the end of the reporting period, the Group has unutilised tax losses of approximately HK$484.8 million (2018: approximately HK$417.4 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams in 2018 and 2019. Included in the unrecognised tax losses were losses of approximately HK$105.4 million (2018: approximately HK$89.1 million that would expire in the years of 2019 to 2023) that will expire in the years of 2020 to 2024. Other losses may be carried forward indefinitely.

The Group also has certain deductible temporary differences mainly related to loss allowance and write-down of inventories amounted to approximately HK$63.8 million and available for offset against future profits at 31 December 2019 (2018: approximately HK$56.8 million). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Exposures arising from income tax liabilities

Oregon Scientific Italy Limited ("OS Italy")

An indirect wholly-owned subsidiary of the Company, OS Italy, was involved in a tax dispute with the Italian Tax Authorities. As disclosed in the announcement of the Company dated 6 November 2018, there was a tax dispute between OS Italy and the Italian Tax Authorities ("**Tax Dispute**"), and the tax charge judgement in relation to the Tax Dispute from the Supreme Court of Cassation of Italy was received. After seeking the independent legal advice, the directors of the Company considered no further legal actions are possible for OS Italy in relation to the Tax Dispute. Based on tax notice received from the Italian Tax Authorities in January 2019, the Group provided a tax provision of approximately Euro ("**EUR**") 1.4 million (equivalent to approximately HK$12.3 million) in profit or loss for the year ended 31 December 2018. OS Italy was declared bankrupt by the Court in July 2019 and a bankruptcy trustee was appointed to in charge of OS Italy's bankruptcy procedure. After seeking the independent legal advice, the directors of the Company considered that OS Italy was still at the earlier stage of bankruptcy procedures and the related tax liabilities had not yet been fully discharged. Accordingly, the Group continued to recognise the aforesaid tax provision of EUR1.4 million (equivalent to HK$11.8 million) as tax payable at 31 December 2019.

Oregon Scientific Brasil Ltda ("OS Brazil")

An indirect wholly-owned subsidiary of the Company, OS Brazil, was involved in a tax dispute with the State of Sao Paulo, the Federative Republic of Brazil, which may cause a maximum tax payment including penalty and interest of approximately Brazilian Real 3.6 million (equivalent to approximately HK$7.0 million) (2018: approximately Brazilian Real 3.6 million (equivalent to approximately HK$7.3 million)). After seeking the independent legal advice, the directors of the Company consider that the outcome and the amount of final payment, if any, are uncertain but the expected value of liability is insignificant to the Group. Therefore, no provision has been made in the consolidated financial statements.

7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company for both years is based on the following data:

	2019	2018
	HK$ million	*HK$ million*
Loss:		
Loss for the year attributable to owners of the Company and loss for the purpose of basic loss per share	**(83.1)**	(215.6)

	2019	2018
Number of ordinary shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**2,599,993,088**	2,599,993,088

Diluted loss per share is the same as basic loss per share as there was no potential ordinary share in issue for both years.

8. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$ million	*HK$ million*
Trade receivables	**43.0**	60.8
Less: Loss allowance for ECL	**(14.2)**	(24.2)
	28.8	36.6
Other receivables	**18.3**	44.7
Total trade and other receivables	**47.1**	81.3

The following is the ageing analysis of trade receivables (net of loss allowance for ECL) presented based on the invoice date which approximate the respective revenue recognition date at the reporting date.

	2019	2018
	HK$ million	*HK$ million*
0 to 30 days	**21.1**	22.9
31 to 90 days	**4.7**	12.5
Over 90 days	**3.0**	1.2
Trade receivables	**28.8**	36.6

The Group normally allows credit period of 30 to 90 days to its customers. Before accepting any new customers, the management of the Group will base on the credit quality of the potential customers to define credit limits. Credit limits to customers are reviewed annually. In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

At 31 December 2019, included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately HK$3.0 million (2018: approximately HK$1.2 million) which are past due at the end of the reporting period. The Group does not hold any collateral over these balances.

Other receivables

	2019	2018
	HK$ million	*HK$ million*
Advances to suppliers	**3.9**	37.1
Other taxes recoverable	**10.8**	5.1
Others	**3.6**	2.5
	18.3	44.7

9. TRADE AND OTHER PAYABLES

The following is the ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	HK$ million	*HK$ million*
0 to 30 days	**14.8**	35.1
31 to 90 days	**17.1**	17.7
Over 90 days	**25.5**	45.7
Trade payables	**57.4**	98.5
Other payables	**21.3**	19.3
Trade and other payables	**78.7**	117.8

Other payables

	2019	2018
	HK$ million	*HK$ million*
Payable for staff costs	**8.1**	13.7
Payable for audit services	**1.9**	2.4
Other tax payables	**1.8**	2.3
Others	**9.5**	0.9
Total other payables	**21.3**	19.3

10. EVENT AFTER THE END OF THE REPORTING PERIOD

Since January 2020, the outbreak of Novel Coronavirus ("**COVID-19**") has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

11. COMPARATIVE FIGURES

Conforming to current year's presentation, the rental income of HK$10.8 million that was included in general administrative expenses as shown in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 has been reclassified under other income. The revised presentation reflected more appropriately the nature of these items. These reclassifications have no effect on the reported financial position, results or cash flows of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 December 2019 was amounted to HK$270.4 million (FY2018: HK$433.2 million), which was due to unclear global trade prospects and the weak performance of the global economy.

Gross profit totalled HK$30.5 million (FY2018: HK$28.9 million). Gross profit was increased by 5.5% for the year ended 31 December 2019 since the Group maintain strict control over the cost of goods sold during the year. Management adopted the Just In Time manufacturing strategy which the Group kept low level of inventory to increase operation efficiency. The gross profit margin was increased from 6.7% for the year ended 31 December 2018 to 11.3% for the year of ended 31 December 2019.

The Group continued to execute stringent cost controls and streamline organisational structure and operational procedures. Total operating expenses of the Group, including research costs, distribution and selling expenses and general administrative expenses, amounted to HK$124.9 million (FY2018 (restated): HK$189.1 million). The total operating expense was decreased by approximately 34.0% since the distribution and selling expense has dropped for approximately 59.0% which was attributable to the decrease in turnover. Further, the research expenses was reduced by 25.8% since the Group is re-shaping the product development direction and thus concentrating the researching resources for the products with market competitiveness.

Other gains during the year was mainly come from subleasing of right-of-use assets/rented premises amounting HK$11.8 million (FY2018: HK$10.8 million). The other losses, net during the year was recorded as HK$7.7 million (FY2018: HK$11.5 million), the decrease was mainly due to the combined effect of (i) net exchange gain recognised amounting HK$2.6 million for the year while there was net exchange loss of HK$7.0 million charged to profit or loss in 2018 and (ii) the increase in impairment loss on advances to suppliers by HK$4.0 million.

Reversal of loss allowance on trade receivables was recorded as HK$7.7 million (FY2018: impairment of HK$10.3 million) due to decrease in credit loss of trade receivables.

Loss for the year ended 31 December 2019 was HK$83.1 million (FY2018: HK$215.6 million).

BUSINESS REVIEW

In 2019, the overall purchase momentum particularly in the consumer electronic business still remained sluggish due to the trade war and overall unsteady global economy. The Group continued to place significant effort in re-shaping the product development direction, customer base and commercial terms, and streamlining its organizational structure, operation processes and administration costs. The Group recorded the decline in the sales revenue amounted to HK$162.8 million and Gross Profit totaled at HK$30.5 million (while the GM% has increased from 6.7% to 11.3%). With all the re-structuring key initiatives being executed, the net loss has consequentially narrowed down to HK$83.1 million.

The Group has identified two product categories to be focused on – Smart Learning & Immersive Technology (SLIT) and Sports, Fitness and Health (SFH). The company resources such as research & development, business development and manpower were re-shuffled around it. The management carried out several measures to enhance the lean manufacturing, streamlining manpower and implementing business model change in overseas operations. The Group also focused on developing projects with good quality key customers and no low-or-negative margin project policy remained.

The Group achieved the significant improvement in the cash flow management through re-shaping the customer base and re-negotiating the commercial terms with business partners. The account receivable (AR) turnover days was reduced by 32.3% to 44 days and the AR amount was down by 21.3% to HK$28.8 million. The streamlining of the number of SKU for more effective inventory management led to the lower inventory level amounted HK$16.8 million.

Value Manufacturing Services ("VMS")

In 2019, due to the weak performance of the global consumer electronics industry and the higher tariff as a result of trade war, the overall purchase momentum from the customers was affected. Overall the sales revenue of the VMS business in 2019 was HK$181.1 million (FY2018: HK$271.7 million), which accounted for 67.0% of the Group's total revenue. In terms of product categories, Sports, Health & Fitness is still the key, accounting for 47.8% of the VMS sales revenue and followed by the Connected Home (19.8% of the VMS sales revenue).

Despite the lower sales revenue, the Group re-shaped the customer base and re-negotiated for the more favourable commercial terms with most of the VMS customers to improve the gross margin and accelerate the account receivable collection. This assisted to set a healthier base for future business development.

To maintain the leading role in technology and market competitiveness, the VMS research & development team continuously establishes strategic partnership with global innovative technology partner. The co-operation with various strategic partners such as the co-developed solution of E-ink watch, PWTT Smart blood pressure monitor, heart rate variability measurement will bring new business opportunity to grow the business.

The Group has started the association with the leading hospital and sleep science institutes in China Jiangsu province for the sleep improvement and health tracking projects, such will take an important part in the Sport, Fitness and Health category particularly for the China market.

OREGON SCIENTIFIC ("OS")

In 2019, sales revenue of OS business totaled HK$89.3 million (FY2018: HK$161.5 million), 44.7% decrease compared to that of last year, accounting for 33.0% of the Group's total sales revenue. Smart Learning & Immersive Technology (SLIT) and Connected Home (CoH) were still the main product categories.

In SLIT, the market demand was trendily strong, the Group recorded strong increase in its sales revenue in Japan and Russia. The demand of other markets remained stable. The Group was in liaison with the Intellectual Property Publishing House of China for the strategic partnership and started the tailor-made product development to meet the tremendous consumer demand of the smart learning products in China.

In CoH category, the Group faced the challenge in the supply chain to fulfill the customer orders, therefore the sales revenue of this category was affected. Still through streamlining the number of SKU and selling off the on-hand inventory, the overall inventory of OS was considerably reduced. The Group still secured the business relationship with reputable distributors and the strategy of working with the strong distributors to develop the overseas markets remained.

For SLIT business in overseas market, we project a steady business as overall. Japan is our focus market with our engaged long term partner to work closely in the market. Regarding the channel development, we will continue to look for the distribution partners in North America to expand the sales network.

Regarding the CoH category, we will continue to concentrate on the existing key ranges and several new products will be launched in the meantime. One of the signature new product is using the patented technology of daylight projection with adding some innovative features on it to nurture the concept of smart living.

Europe and China will remain our key focused markets. We are negotiating with a strong partner in France for new channel distribution. Regarding the channel development and brand building, we should comply with the new trend of new media, especially to use short video and social networking sites, which have great potential in the promotion and sales.

WORKING CAPITAL

The inventory balance as at 31 December 2019 was HK$16.8 million, decreased by 77.5% compared to the HK$74.8 million as at 31 December 2018. The inventory turnover days decreased to 70 days (FY2018: 93 days). Trade debtor balances as at 31 December 2019 was HK$28.8 million, decreased by 21.3% compared to the HK$36.6 million shown as at 31 December 2018. Trade debtor's turnover days decreased to 44 days (FY2018: 65 days).

LIQUIDITY AND TREASURY MANAGEMENT

As at 31 December 2019, bank balances and cash of the Group, including short term bank deposits, were HK$18.0 million (31 December 2018: HK$22.3 million). During the year, the Group generated its funds mainly from operating or financing activities. The net cash position (bank balances and cash) as at 31 December 2019 amounted to HK$18.0 million (31 December 2018: HK$22.3 million).

CHARGES ON GROUP ASSETS

At 31 December 2019, there were no finance charges on the Group's assets.

DIVIDEND

The Directors of the Company do not recommend any dividend for the year ended 31 December 2019 (FY2018: Nil).

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with Mazars CPA Limited as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49 (3)(ii)(b) of the Listing Rules.

Items for the year ended 31 December 2019	Disclosure in this announcement (Audited) *(HK$ million)*	Disclosure in the Unaudited Preliminary Announcement (Unaudited) *(HK$ million)*	Difference *(HK$ million)*	*Notes*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Other income	16.4	7.0	9.4	(a)
Other losses, net	(7.7)	(3.2)	(4.5)	(b)
Research expenses	(29.1)	(6.4)	(22.7)	(c)
General administrative expenses	(61.2)	(59.3)	(1.9)	(d)
Loss before taxation	(83.1)	(63.4)	(19.7)	
Total comprehensive loss for the year	(82.1)	(62.4)	(19.7)	
Loss per share – Basic and diluted *(HK cents)*	(3.20)	(2.44)	(0.76)	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Trade and other receivables	47.1	81.3	(34.2)	(e)
Trade and other payables	(78.7)	(93.2)	14.5	(f)
NET DEFICIT	(26.8)	(7.1)	(19.7)	

Notes:

(a) The difference in other income was mainly due to the reclassification of income from subleasing of right-of-use assets/rented premises from general administrative expenses.

(b) The difference in other losses, net was mainly due to the recognition of impairment loss on advances to suppliers based on the results of recoverability assessment.

(c) The difference in research expenses was mainly due to the recognition of additional research expense incurred for the year and reclassification of expenses from general administrative expenses.

(d) The difference in general administrative expenses was mainly due to the reclassification of income/expenses to other income and research expenses as further detailed in notes (a) and (c) above.

(e) The difference in trade and other receivables was mainly due to the reclassification of balances to trade and other payables upon finalisation of the audit work and the adjustments mentioned in notes (b) and (c) above.

(f) The difference in trade and other payables was mainly due to the reclassification of balances from trade and other receivables upon finalisation of the audit work.

THE AUDIT COMMITTEE AND REVIEW OF 2019 RESULTS ANNOUNCEMENT

The Audit Committee has reviewed and discussed the audited annual results for the year ended 31 December 2019. The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by Mazars CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The following is an extract of the independent auditor's report issued by Mazars CPA Limited, the external auditor of the Group, on the Group's consolidated financial statements for the year ended 31 December 2019.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to the "Going concern" section in note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group reported a loss attributable to the owners of the Company of approximately HK$83.1 million for the year ended 31 December 2019 and, as at 31 December 2019, the Group had net current liabilities and net liabilities of approximately HK$145.1 million and approximately HK$125.1 million, respectively. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL REPORT

This further announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "**SEHK**") (www.hkexnews.hk) and the Company's website and the 2019 annual report of the Company will be published on the respective websites of SEHK and the Company on or before 22 June 2020.

By order of the Board
IDT International Limited
Zhu Yongning
Executive Director and Chief Executive Officer

Hong Kong, 11 June 2020

As at the date of this announcement,

1. The executive Director is Mr. Zhu Yongning (Chief Executive Officer);

2. The non-executive Director is Ms. Wu Qing;

3. The independent non-executive Directors are Mr. Zhou Meilin, Mr. Xu Jinwen and Mr. Zhou Rui.

* *For identification purpose only*