IDT INTERNATIONAL LIMITED
萬威國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 167)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK$55.4 million (2019: HK$270.4 million).
- Gross profit amounted to HK$5.6 million (2019: HK$30.5 million).
- Total operating expenses amounted to HK$91.5 million (2019: HK$124.9 million).
- Loss for the year amounted to HK$95.8 million (2019: HK$83.1 million).

The board of directors (the "**Board**" or the "**Directors**") of IDT International Limited (the "**Company**") presents the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 together with comparative audited figures for the year ended 31 December 2019.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	**2020** HK$ million	2019 HK$ million
Revenue	4	**55.4**	270.4
Cost of goods sold		**(49.8)**	(239.9)
Gross profit		**5.6**	30.5
Other income		**16.2**	16.4
Other losses, net		**(4.7)**	(7.7)
(Charge) Reversal of loss allowance on trade receivables		**(18.2)**	7.7
Research expenses		**(27.3)**	(29.1)
Distribution and selling expenses		**(14.7)**	(34.6)
General administrative expenses		**(49.5)**	(61.2)
Finance costs	5	**(3.2)**	(5.1)
Loss before taxation	5	**(95.8)**	(83.1)
Taxation	6	**–**	–
Loss for the year		**(95.8)**	(83.1)
Other comprehensive (loss) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(0.4)**	1.0
Total comprehensive loss for the year		**(96.2)**	(82.1)
Loss for the year attributable to:			
– Owners of the Company		**(95.8)**	(83.1)
– Non-controlling interests		**–**	–
		(95.8)	(83.1)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(96.2)**	(82.1)
– Non-controlling interests		**–**	–
		(96.2)	(82.1)
Loss per share			
– Basic and diluted *(HK cents)*	7	**(3.68)**	(3.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	**2020** **HK$ million**	2019 HK$ million
Non-current assets			
Property, plant and equipment		**4.0**	11.8
Investment properties		**3.1**	–
Right-of-use assets		**29.2**	4.8
Finance lease receivables		**13.8**	–
Goodwill		**–**	–
Rental deposits		**3.4**	3.4
		53.5	20.0
Current assets			
Inventories		**7.1**	16.8
Trade and other receivables	8	**6.3**	47.1
Finance lease receivables		**11.7**	–
Restricted bank balances		**3.7**	–
Cash and cash equivalents		**9.4**	18.0
		38.2	81.9
Current liabilities			
Trade and other payables	9	**58.5**	78.7
Lease liabilities		**26.8**	5.0
Tax payable		**12.9**	11.8
Borrowings	10	**–**	39.2
Contract liabilities		**18.7**	23.3
Loan from a shareholder		**121.5**	69.0
		238.4	227.0
Net current liabilities		**(200.2)**	(145.1)
Non-current liabilities			
Lease liabilities		**29.8**	–
Borrowings	10	**44.8**	–
		74.6	–
NET LIABILITIES		**(221.3)**	(125.1)

	2020 *HK$ million*	2019 *HK$ million*
Capital and reserves		
Share capital	**260.0**	260.0
Reserves	**(481.4)**	(385.2)
Equity attributable to owners of the Company	**(221.4)**	(125.2)
Non-controlling interests	**0.1**	0.1
NET DEFICIT	**(221.3)**	(125.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2019 consolidated financial statements except for the adoption/early adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year (except for any early adoption) 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$200.2 million at 31 December 2020, the Group's total liabilities exceeded its total assets by approximately HK$221.3 million as of that date, and that the Group incurred a loss of approximately HK$95.8 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 their 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;

2. Huaneng has undertaken that the repayment of its loan to the Group of approximately HK$121.5 million at 31 December 2020 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. the Group continues to negotiate/seek opportunities with the financial institutions for the renewal of existing/inception of the new financing arrangement to meet the Group's working capital and financial requirements in the future. On 27 March 2020, the Group had successfully renewed the outstanding borrowing and interest payables with new maturity date on 31 March 2026, details of the borrowings are set out in note 10 to the consolidated financial statements; 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:

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

Amendments to HKFRS 16: COVID-19-Related Rent Concessions

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has elected to early adopt the amendments in the current year.

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

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	*Interest Rate Benchmark Reform – Phase 2* [1]
Amendments to HKAS 16	*Proceeds before Intended Use* [2]
Amendments to HKAS 37	*Cost of Fulfilling a Contract* [2]
Amendments to HKFRS 3	*Reference to the Conceptual Framework* [2]
Annual Improvements to HKFRSs	*2018–2020 Cycle* [2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* [3]
HKFRS 17	*Insurance Contracts* [3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] The effective date to be determined

The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results and financial position of the Group.

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 2020					
Timing of revenue recognition					
At a point in time	**24.7**	**19.5**	**6.0**	**5.2**	**55.4**
Year ended 31 December 2019					
Timing of revenue recognition					
At a point in time	64.7	59.1	88.0	58.6	270.4

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 2020 and 2019, 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 chief operating decision-maker ("**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 2020					
Segment revenue					
Branded sales	**24.7**	**6.0**	**–**	**–**	**30.7**
OEM/ODM sales	**–**	**13.5**	**6.0**	**5.2**	**24.7**
Total segment revenue	**24.7**	**19.5**	**6.0**	**5.2**	**55.4**
Segment loss	**(9.8)**	**(29.5)**	**(12.1)**	**(10.3)**	**(61.7)**
Unallocated income					**16.2**
Unallocated expenses					**(47.1)**
Finance costs					**(3.2)**
Loss before taxation					**(95.8)**

	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)

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

Segment loss represents the loss incurred by each segment without allocation of interest income, income from subleasing of right-of-use assets, other miscellaneous income, unallocated expense such as central administrative costs, charge (reversal) of loss allowance on trade receivables, provision for losses on litigations, depreciation of right-of-use assets 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 2020					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation					
– Property, plant and equipment	**3.6**	**2.8**	**0.9**	**0.8**	**8.1**
Write-down of inventories	**2.0**	**1.6**	**0.5**	**0.4**	**4.5**

	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

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:

	2020	2019
	HK$ million	*HK$ million*
PRC (country of domicile)	**7.0**	11.0
Asia Pacific (excluding PRC)	**18.8**	58.2
Americas	**13.9**	49.2
Europe	**15.3**	149.4
Others	**0.4**	2.6
	55.4	270.4

Over 95% (2019: 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:

	2020	2019
	%	*%*
Customer "A"	**–***	26
Customer "B"	**28**	16
Customer "C"	**14**	–*

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

	2020 *HK$ million*	2019 *HK$ million*
Finance costs		
Interest on borrowings	**2.6**	3.8
Interest on lease liabilities	**0.6**	1.3
	3.2	5.1
Staff costs		
Directors' emoluments	**0.4**	0.4
Retirement benefits scheme contributions for other staff *(Note)*	**3.8**	13.7
Salaries and other benefits for other staff	**63.2**	90.9
Total staff costs*	**67.4**	105.0
Amortisation of intangible assets (included in "General administrative expenses")	**–**	0.5
Auditor's remuneration		
– Audit services	**1.2**	1.2
– Non-audit services	**0.1**	0.1
Cost of inventories	**46.6**	221.8
Write-down of inventories (included in "Cost of goods sold")	**4.5**	18.1
Impairment loss on advances to suppliers	**–**	4.0
Depreciation of right-of-use assets (included in "General administrative expenses")	**7.3**	20.3
Depreciation of property, plant and equipment*	**8.1**	12.6
Depreciation of investment properties (included in "General administrative expenses")	**0.1**	–
Rental expenses recognised under short-term leases (included in "General administrative expenses" and "Cost of goods sold")	**16.7**	0.2

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

Note: Starting from February 2020, the relevant PRC government authorities has given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the social security insurance.

6. TAXATION

No provision for income tax has been made as the Group entitles either had no estimated assessable profits or incurred tax losses for the year ended 31 December 2020 and 2019.

Entities incorporated in Hong Kong are subject to Hong Kong profits tax. 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.

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 approximately EUR1.4 million (equivalent to approximately HK$12.9 million) as tax payable at 31 December 2020 (2019: approximately EUR1.4 million (equivalent to approximately HK$11.8 million)).

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 3.7 million (equivalent to approximately HK$5.6 million) (2019: approximately Brazilian Real 3.6 million (equivalent to approximately HK$7.0 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:

	2020	2019
	HK$ million	*HK$ million*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(95.8)**	(83.1)

	2020	2019
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

	2020	2019
	HK$ million	*HK$ million*
Trade receivables	**33.2**	43.0
Less: Loss allowance for expected credit losses ("**ECL**")	**(32.4)**	(14.2)
	0.8	28.8
Other receivables	**5.5**	18.3
Total trade and other receivables	**6.3**	47.1

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.

	2020	2019
	HK$ million	*HK$ million*
0 to 30 days	**–**	21.1
31 to 90 days	**–**	4.7
Over 90 days	**0.8**	3.0
Trade receivables	**0.8**	28.8

In 2020, the Group normally requests its customers to make advance payment, except for certain customers for which the credit terms is generally up to 45 days. In 2019, the Group normally allows credit period of 30 to 90 days to its customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. 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 2020, included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately HK$0.8 million (2019: approximately HK$3.0 million) which are past due at the end of the reporting period. The Group does not hold any collateral over these balances.

Other receivables

	2020	2019
	HK$ million	*HK$ million*
Advances to suppliers	**2.0**	3.9
Other taxes recoverable	**2.3**	10.8
Others	**1.2**	3.6
	5.5	18.3

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:

	2020	2019
	HK$ million	*HK$ million*
0 to 30 days	**3.8**	14.8
31 to 90 days	**1.7**	17.1
Over 90 days	**29.1**	25.5
Trade payables	**34.6**	57.4
Other payables	**23.9**	21.3
Trade and other payables	**58.5**	78.7

Other payables

	2020	2019
	HK$ million	*HK$ million*
Payable for staff costs	**8.2**	8.1
Payable for audit services	**2.1**	1.9
Other tax payables	**2.5**	1.8
Provision for losses on litigations	**3.3**	–
Others	**7.8**	9.5
Total other payables	**23.9**	21.3

10. BORROWINGS

	2020	2019
	HK$ million	*HK$ million*
Unsecured borrowing	**35.7**	33.2
Interest payable	**9.1**	6.0
	44.8	39.2

	2020	2019
	HK$ million	*HK$ million*
Analysed by:		
Non-current liabilities	**44.8**	–
Current liabilities	**–**	39.2
	44.8	39.2

On 8 December 2017, a subsidiary of the Group, 萬威電子(深圳)有限公司, entered into a loan agreement with a financial institution to borrow approximately RMB30.0 million at a fixed interest rate of 8% per annum for one year. The borrowing was overdue at 31 December 2019 and subject to a fixed interest rate of 8.8% per annum.

On 27 March 2020, 萬威電子(深圳)有限公司 entered into a supplementary agreement with the financial institution to extend the repayment date of the borrowing including the interest payable with maturity date on 31 March 2026 at a fixed interest of 8% per annum.

11. CONTINGENT LIABILITIES/LITIGATIONS

(a) During the year ended 31 December 2020, there was a litigation initiated by a supplier of the Group in Hong Kong claiming the allegedly due and unpaid balance of purchase orders against a subsidiary of the Group in Hong Kong in view of unilateral cancellation of purchase orders by the subsidiary of the Group for a sum of approximately US$334,000 (equivalent to approximately HK$2.6 million). In respect of the aforesaid due and unpaid balance of purchase orders amounting to approximately HK$0.3 million which had been recognised in "Trade payables" at 31 December 2019 and 2020, the management of the Group, having consulted the legal advice from an independent legal counsel, estimated that the Group will likely be liable to pay for the total and, therefore, the Group further recognised a provision for loss of approximately HK$2.3 million in profit or loss for the year ended 31 December 2020. Subsequent to the 31 December 2020 and up to the date of approving the consolidated financial statements, the litigation is still in process.

(b) During the year ended 31 December 2020, the Group received a notice from a Court of Arbitration in the PRC stating that a service provider of the Group in the PRC has initiated legal action against a subsidiary of the Group in the PRC by claiming the allegedly due and unpaid balance of services fees from the Group. Pursuant to the judgements made by the court in the PRC, the Group was ordered to make immediate payment amounting to approximately HK$0.2 million and therefore a provison for loss of HK$0.2 million was made in profit or loss for the year ended 31 December 2020. Subsequent to the 31 December 2020 and up to the date of approving the consolidated financial statements, the Group has settled approximately HK$0.2 million in respect to the settlement of this case.

(c) During the year ended 31 December 2020, the Group received a notice from a District Court in the PRC stating that a supplier of the Group in the PRC has initiated legal action against certain subsidiaries of the Group in the PRC by claiming the allegedly due and unpaid balance of subcontracting fees from the Group. In respect of the aforesaid due and unpaid balance of subcontracting fees amounting to approximately HK$5.5 million which had been recognised in "Trade payables" at 31 December 2020. Based on the legal advice obtained from an independent legal counsel, the management of the Group considered no further provision for litigation was required to be made for the year ended 31 December 2020. Subsequent to the 31 December 2020 and up to the date of approving the consolidated financial statements, the litigation is still in process.

(d) During the year ended 31 December 2020, the Group received a notice from a District Court in the PRC stating that a former employee of the Group in the PRC has initiated legal action against a subsidiary of the Group in the PRC by claiming the compensation of the dismissal of labour contract in view of breach of the terms in employment agreement by the Group. Pursuant to the judgements made by the court in the PRC, the Group was ordered to make immediate payment amounting to approximately HK$0.8 million which had been recognised in "Provision for losses on litigations" in "Other losses, net" in profit or loss for the year ended 31 December 2020. Subsequent to the 31 December 2020 and up to the date of approving the consolidated financial statements, the Group has settled approximately HK$0.8 million in respect to the settlement of this case.

Other than the disclosure of above and elsewhere in the consolidated financial statements, at the end of the reporting period, the Group was not involved in any other material litigation or arbitration. As far as the management of the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. At 31 December 2020 and 2019, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business of the Group. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained with reasonable certainty at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position or results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's total revenue for the year ended 31 December 2020 ("**FY2020**") was amounted to HK$55.4 million (year ended 31 December 2019 ("**FY2019**"): HK$270.4 million), which was due to the global impact of the COVID-19, leading to the economic downturn.

Gross profit for FY2020 totalled HK$5.6 million (FY2019: HK$30.5 million). Gross profit was decreased by 81.6% for FY2020. The Group continues to face with the challenges with the unprecedent impact of the COVID-19 in 2020 and the reduction of overseas sales leads to a decrease in gross profit. The gross profit margin was decreased from 11.3% for FY2019 to 10.1% for FY2020.

In 2020, the Group continued to execute stringent cost controls and streamline organisational structure and operational procedures. Total operating expenses of the Group for FY2020, including research costs, distribution and selling expenses and general administrative expenses, amounted to HK$91.5 million (FY2019: HK$124.9 million). The total operating expense for FY2020 was decreased by approximately 26.7% since the distribution and selling expense has dropped for approximately 57.5% which was attributable to the decrease in turnover. Further, general administrative expense for FY2020 was reduced by 19.1%.

Other gains for FY2020 was mainly come from subleasing of right-of-use assets/rented premises amounting HK$10.9 million (FY2019: HK$11.8 million). The other losses, net for FY2020 was recorded as HK4.7 million (FY2019: HK$7.7 million) and it was mainly attributable to (i) provision for losses on litigations and (ii) exchange loss.

Charge of loss allowance on trade receivables for FY2020 was recorded as HK$18.2 million (FY2019: reversal of HK$7.7 million) due to increase in credit loss of trade receivables.

Loss for FY2020 was HK$95.8 million (FY2019: HK$83.1 million).

BUSINESS REVIEW

In 2020, the overall purchase momentum particularly in the consumer electronic business is much more sluggish due to the COVID-19 pandemic, together with 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 administrative costs. The Group has achieved the sales revenue amount HK$55.4 million and gross profit totaled at HK$5.6 million for FY2020.

Smart Learning & Immersive Technology ("**SLIT**") and Sports, Fitness and Health ("**SFH**") are still the main product categories and the Group already found ways and now is working on new product development in such area. At the same time, 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 closely monitor the cash flow through re-shaping the customer base and re-negotiating the commercial terms with business partners. The accounts receivables amount was decreased by 97.2% to HK$0.8 million as at 31 December 2020 (2019: HK$28.8 million). The streamlining of the number of stock keeping unit ("**SKU**") for more effective inventory management led to lowering inventory level to HK$7.1 million as at 31 December 2020 (2019: HK$16.8 million).

Value Manufacturing Services ("VMS")

In FY2020, due to the COVID-19 pandemic, the global market and the overall purchase momentum from customers particularly in the consumer electronic business suffered a tremendous impact. The sales revenue of the VMS business for FY2020 was HK$24.7 million (FY2019: HK$181.1 million), which accounted for 44.6% of the Group's total 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 with an aim 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.

OREGON SCIENTIFIC ("OS")

For FY2020, sales revenue of OS business totaled HK$30.7 million (FY2019: HK$89.3 million), representing a 65.6% decrease compared to that of last year which was mainly affected by COVID-19 pandemic. It accounted for 55.4% of the Group's total sales revenue for FY2020. SLIT and the Connected Home ("**CoH**") were still the main product categories, Health care will be another product category we focus on in coming days.

The market demand for Smart Learning and SLIT are still trendily strong. The Group is working 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.

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

Due to the COVID-19 pandemic, the oversea sales were impacted greatly. The Group still secure the business relationship with reputable distributors and the strategy of working with the strong distributors to develop the overseas markets remained.

PROSPECTS

Despite the COVID-19 and uncertain global economy and the trade war between the China and United States of America will continue to have a considerable impact on the growth of the Group, nonetheless there are still opportunities and the Group remains confident in its strategy in 2021. The Group continues to develop China market maximising customer coverage from offline and online channels.

WORKING CAPITAL

The inventory balance as at 31 December 2020 was HK$7.1 million, decreased by 57.7% compared to the HK$16.8 million as at 31 December 2019. The inventory turnover days were increased to 87 days (2019: 70 days). Trade debtor balances as at 31 December 2020 was HK$0.8 million, decreased by 97.2% compared to the HK$28.8 million as at 31 December 2019. Trade debtor's turnover days were increased to 97 days (2019: 44 days).

LIQUIDITY AND TREASURY MANAGEMENT

As at 31 December 2020, bank balances and cash of the Group, including restricted bank balances, amounted to HK$13.1 million (2019: HK$18.0 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 2020 amounted to HK$13.1 million (2019: HK$18.0 million).

CHARGES ON GROUP ASSETS

At 31 December 2020, there were no finance charges on the Group's assets.

CAPITAL EXPENDITURE

Capital expenditure on property, plant and equipment for FY2020 amounted to HK$0.3 million (FY2019: HK$1.0 million) which was all used for business operations and product development. Source of funds were financed by internal resources and loan from a shareholder.

There were no material acquisitions or disposals of subsidiaries and associated companies in 2020.

DIVIDEND

The Directors of the Company do not recommend any dividend for the year ended 31 December 2020 (FY2019: Nil).

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save and except the entering into of the lease agreements for leases of certain properties of the Group in China as disclosed in the circular of the Company dated 14 January 2021, there is no important event of the Group after the end of the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code of Conduct for Securities Transactions by Directors (the "**Code of Conduct for Securities Transactions**"). This is on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, and has been updated from time to time.

Having made specific enquiries to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Code of Conduct for Securities Transactions throughout the year ended 31 December 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to achieving an up-to-stipulated standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. Throughout the year ended 31 December 2020 under review, the Company has applied the principles and complied with all code provisions and where applicable, the recommended best practices prescribed in the Corporate Governance Code ("**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), save for the deviation from the Code Provision A.2.1 and A.6.7.

According to the Code Provision A.2.1, the roles of the Chairman and the Chief Executive Officer (the "**CEO**") should be separated and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual.

The Board understands that the roles of the Chairman and the CEO should be independent, and hence, the Group will recruit a suitable person who has an extensive understanding of the Group's business as soon as possible to manage the day-to-day business.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr, Zhou Meilin, Mr. Xu Jinwen and Mr. Zhou Rui. Mr, Zhou Meilin is the chairman of the Audit Committee.

The financial results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft 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 the preliminary announcement.

EXTRACT FROM DRAFT INDEPENDENT AUDITOR'S REPORT

The following is an extract of the draft independent auditor's report on the Company's draft consolidated financial statements for the year ended 31 December 2020.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainty related to going concern

As described in the "Going concern" section in note 2 to the consolidated financial statements, the Group reported a loss attributable to the owners of the Company of approximately HK$95.8 million for the year ended 31 December 2020 and, at 31 December 2020, the Group had net current liabilities and net liabilities of approximately HK$200.2 million and approximately HK$221.3 million, respectively. These conditions, along with other matters as set forth in the "Going concern" section in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in the "Going concern" section in note 2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2020.

In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

DIRECTORS' VIEW ON THE DRAFT INDEPENDENT AUDITOR'S OPINION

The independent auditor of the Company is going to issue a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2020.

The Board would like to clarify that, for avoidance of doubt, the disclaimer of opinion on the Company's draft consolidated financial statements relates only to the going concern issue only, but not any other issues.

THE BOARD'S RESPONSE TO THE AUDITOR'S OPINION

In regard to the matters described in the section headed "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" in the draft independent auditor's report, the Board would like to take this opportunity to provide the Boards' preliminary response, as well as measures taken or to be taken by the management of the Company.

THE BOARD'S RESPONSE TO "DISCLAIMER OF OPTION – GOING CONCERN"

As the Group had net current liabilities of HK$200.2 million and net liabilities of HK$221.3 million for the year ended 31 December 2020, the Board will appoint a team, which will be led by the CEO, to monitor the daily cashflow so as to ensure the Group has the sufficient financial resources to settle the Group's financial obligation when fall due.

In addition, in order to improve the Group's financial position, to provide liquidity with cash flows and to sustain the Group as a going concern, the Group has been implementing a number of measures, including but not limited to:

1. China Huaneng Foundation Construction Investment Limited ("**Huaneng**"), the largest shareholder of the Company and its controlling shareholder, has committed and has proved their 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;

2. Huaneng has undertaken that the repayment of its loan to the Group of approximately HK$121.5 million at 31 December 2020 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. the Group continues to negotiate/seek opportunities with the financial institutions for the renewal of existing/inception of the new financing arrangement to meet the Group's working capital and financial requirements in the future. On 27 March 2020, the Group had successfully renewed the outstanding borrowing and interest payables with new maturity date on 31 March 2026, details of the borrowing are set out in note 10 to the consolidated financial statements; and

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

The Company and the audit committee shared the same view that the above solutions will help raise capital to improve the liquidity and financial position of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.idthk.com). The annual report for the financial year will be despatched to the shareholders of the Company and available on the same websites in due course.

On behalf of the Board of Directors of
IDT International Limited
Zhu Yongning
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2021

As at the date of this announcement,

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

2. The non-executive Director is Mr. Cui Xiao; and

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