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## **IDT INTERNATIONAL LIMITED**

**萬威國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021**

#### **FINANCIAL HIGHLIGHTS**

- Turnover amounted to HK\$12.2 million for the six months ended June 30, 2021 (“1H2021” or the “Period”) (for the six months ended June 30, 2020 (“1H2020”): HK\$32.1 million).
- Gross profit amounted to HK\$0.1 million for 1H2021 (1H2020: HK\$3.3 million).
- Total operating expenses amounted to HK\$33.4 million for 1H2021 (1H2020: HK\$44.5 million).
- Loss for the Period amounted to HK\$35.6 million (1H2020: HK\$37.4 million).
- Bank balances and cash of the Group including restricted bank balances amounted to HK\$7.1 million as at June 30, 2021 (December 31, 2020: HK\$13.1 million).

#### **INTERIM RESULTS**

The board of directors (the “Board”) of IDT International Limited (the “Company”) hereby announces the unaudited condensed results of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2021 together with the comparative figures for the corresponding period ended June 30, 2020 (“1H2020”).

\* For identification purpose only

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended June 30, 2021*

		<b>Six months ended June 30,</b>	
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'M</b>	<b>HK\$'M</b>
Turnover	5	12.2	32.1
Cost of goods sold		<u>(12.1)</u>	<u>(28.8)</u>
Gross profit		0.1	3.3
Other gains and losses		(0.2)	3.9
Research and development costs		(6.8)	(8.0)
Distribution and selling expenses		(3.4)	(7.6)
General administrative expenses		(23.2)	(28.9)
Finance costs		<u>(2.1)</u>	<u>(0.1)</u>
Loss before taxation	6	(35.6)	(37.4)
Taxation	7	<u>–</u>	<u>–</u>
Loss for the period		(35.6)	(37.4)
Other comprehensive income/(expenses):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>1.9</u>	<u>(5.3)</u>
Loss and total comprehensive expenses for the period		<u><u>(33.7)</u></u>	<u><u>(42.7)</u></u>
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		(35.6)	(42.7)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u><u>(35.6)</u></u>	<u><u>(42.7)</u></u>
Loss per share – Basic	8	<u><u>(1.37 HK cents)</u></u>	<u><u>(1.44 HK cents)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	<i>Notes</i>	As at <b>June 30, 2021</b> <b>(Unaudited)</b> <i>HK\$'M</i>	As at December 31, 2020 <b>(Audited)</b> <i>HK\$'M</i>
<b>Non-current assets</b>			
Property, plant and equipment		1.1	4.0
Investment properties		2.3	3.1
Right-of-use assets		21.8	29.2
Finance lease receivables		7.6	13.8
Rental deposits		3.4	3.4
		<b>36.2</b>	53.5
<b>Current assets</b>			
Inventories		5.6	7.1
Trade and other receivables	9	11.3	6.3
Finance lease receivables		12.1	11.7
Restricted bank balances		5.3	3.7
Cash and bank equivalents		1.8	9.4
		<b>36.1</b>	38.2
<b>Current liabilities</b>			
Trade and other payables	10	56.2	58.5
Tax payable		12.5	12.9
Lease liabilities		27.1	26.8
Contract liabilities		18.7	18.7
Loan from a shareholder		151.6	121.5
		<b>266.1</b>	238.4
<b>Net current liabilities</b>		<b>(230.0)</b>	(200.2)

		As at June 30, 2021 (Unaudited) HK\$'M	As at December 31, 2020 (Audited) HK\$'M
<b>Non-current liabilities</b>			
Lease liabilities		16.4	29.8
Borrowings		44.8	44.8
		<u>61.2</u>	<u>74.6</u>
<b>Net liabilities</b>		<u>(255.0)</u>	<u>(221.3)</u>
<b>Capital and reserves</b>			
Share capital	11	260.0	260.0
Reserves		(515.1)	(481.4)
Equity attributable to owners of the Company		(255.1)	(221.4)
Non-controlling interests		0.1	0.1
<b>Net deficits</b>		<u>(255.0)</u>	<u>(221.3)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Translation reserve	Revenue reserve			
	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M	(Unaudited) HK\$'M			
As at January 1, 2021	260.0	165.0	32.5	(102.2)	(576.7)	(221.4)	0.1	(221.3)
Exchange differences arising from translation of foreign operations	-	-	-	1.9	-	1.9	-	1.9
Loss for the period	-	-	-	-	(35.6)	(35.6)	-	(35.6)
Total comprehensive expenses for the period	-	-	-	1.9	(35.6)	(33.7)	-	(33.7)
As at June 30, 2021	<u>260.0</u>	<u>165.0</u>	<u>32.5</u>	<u>(100.3)</u>	<u>(612.3)</u>	<u>(255.1)</u>	<u>0.1</u>	<u>(255.0)</u>
As at January 1, 2020	260.0	165.0	32.5	(102.2)	(480.9)	(125.2)	0.1	(125.1)
Exchange differences arising from translation of foreign operations	-	-	-	(5.3)	-	(5.3)	-	(5.3)
Loss for the period	-	-	-	-	(37.4)	(37.4)	-	(37.4)
Total comprehensive expenses for the period	-	-	-	(5.3)	(37.4)	(42.7)	-	(42.7)
As at June 30, 2020	<u>260.0</u>	<u>165.0</u>	<u>32.5</u>	<u>(107.1)</u>	<u>(518.3)</u>	<u>(167.9)</u>	<u>0.1</u>	<u>(167.8)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
Net cash used in operating activities	(36.1)	(23.8)
Net cash used in investing activities	–	–
Net cash generated from (used in) financing activities	30.1	16.3
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(6.0)	(7.5)
Cash and cash equivalents at beginning of the period	13.1	18.0
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	7.1	10.5
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the cash and cash equivalents:		
Cash and bank balances	7.1	10.5
	<hr/> <hr/>	<hr/> <hr/>

Notes:

## 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, Hungghom, 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 PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended June 30, 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis. The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the financial statements for the year ended December 31, 2020, except as mentioned below.

### 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\$230.0 million at June 30, 2021, the Group’s total liabilities exceeded its total assets by approximately HK\$255.0 million as of that date, and that the Group incurred a loss of approximately HK\$35.6 million for the first half of 2021.

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\$151.6 million at June 30, 2021 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 March 27, 2020, the Group had successfully renewed the outstanding borrowing and interest payables with new maturity date on March 31, 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 AND REVISED HKFRSs**

For the purpose of preparing and presenting the condensed consolidated financial statements For the six months ended June 30, 2021, the Group has consistently applied all the new and amendments to 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 HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The Group has not yet adopted any new and amendments to HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of the adoption of such new and amendments to HKFRSs on the Group's results and financial position.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements used in preparing this condensed consolidated interim financial information are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates are, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities include the useful lives of property, plant and equipment, recoverability of intangible assets, impairment of goodwill, allowances for trade receivables and inventories and the determination of income taxes.

In the determination of incremental borrowing rate, the Group applies judgement to determine the applicable rate to calculate the present value of lease payments. The incremental borrowing rate of the Group applied will significantly affect the amount of lease liabilities, investment properties, finance lease receivables and right-of-use assets recognised.



## 5. SEGMENT INFORMATION

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes. Turnover represents mainly Oregon Scientific branded sales (“Branded Sales”) and Original Equipment Manufacturer and Original Design Manufacturer sales (“OEM/ODM Sales”).

The information reported to the executive director of the Company, being the chief operating decision maker (the “CODM”), were reorganised based on district products to different customer groups. The reportable and operating segments were namely Connected home and communications (“CoH”), Health and wellness (“H&W”), Smart learning and immersive technology (“SLIT”), in addition, other electric products which are individually insignificant were aggregated and reported under others.

CoH	–	design, development, manufacture, and sales and marketing of home connected and communication products
H&W	–	design, development, manufacture, and sales and marketing of health and wellness products
SLIT	–	design, development, manufacture and sales and marketing of electric learning and inner size products
Others	–	design, development, manufacture, and sales and other electronic products

The Group disaggregated its turnover based on branded sales and OEM/ODM sales and reported to the CODM. No separate results of branded sales and OEM/ODM sales were reported to the CODM.

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

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

	SLIT <i>HK\$'M</i>	CoH <i>HK\$'M</i>	H&W <i>HK\$'M</i>	Others <i>HK\$'M</i>	Total <i>HK\$'M</i>
<b>Six months ended</b>					
<b>June 30, 2021</b>					
<b>Segment revenue</b>					
Branded sales	4.1	4.0	0.1	–	8.2
OEM/ODM sales	–	–	0.8	3.2	4.0
	<u>4.1</u>	<u>4.0</u>	<u>0.9</u>	<u>3.2</u>	<u>12.2</u>
<b>Total segment revenue</b>	<b><u>4.1</u></b>	<b><u>4.0</u></b>	<b><u>0.9</u></b>	<b><u>3.2</u></b>	<b><u>12.2</u></b>
<b>Segment profit/(loss)</b>	<b><u>1.5</u></b>	<b><u>1.3</u></b>	<b><u>(0.6)</u></b>	<b><u>(2.1)</u></b>	<b>0.1</b>
Other gain or losses					(0.2)
Unallocated expenses					(33.4)
Finance costs					<u>(2.1)</u>
<b>Loss before taxation</b>					<b><u>(35.6)</u></b>
<b>Six months ended</b>					
<b>June 30, 2020</b>					
<b>Segment revenue</b>					
Branded sales	10.0	3.2	0.1	–	13.3
OEM/ODM sales	–	11.4	2.9	4.5	18.8
	<u>10.0</u>	<u>14.6</u>	<u>3.0</u>	<u>4.5</u>	<u>32.1</u>
<b>Total segment revenue</b>	<b><u>10.0</u></b>	<b><u>14.6</u></b>	<b><u>3.0</u></b>	<b><u>4.5</u></b>	<b><u>32.1</u></b>
<b>Segment profit/(loss)</b>	<b><u>2.3</u></b>	<b><u>0.7</u></b>	<b><u>(0.3)</u></b>	<b><u>0.6</u></b>	<b>3.3</b>
Unallocated expenses					<u>(40.7)</u>
<b>Loss before taxation</b>					<b><u>(37.4)</u></b>

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of interest income and unallocated expenses such as central administrative cost and finance costs. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

## 6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting) the following:

	Six months ended June 30,	
	2021	2020
	HK\$'M	HK\$'M
Depreciation of property, plant and equipment	2.9	5.2
Depreciation of investment properties	0.7	–
Amortisation of right-of-use assets	7.4	5.4
Net exchange losses	(5.1)	2.2
	<u>(3.1)</u>	<u>13.8</u>

## 7. TAXATION

The charge comprises:

	Six months ended June 30,	
	2021	2020
	HK\$'M	HK\$'M
Taxation of the Company and its subsidiaries:		
Hong Kong profits tax	–	–
Taxation in other jurisdictions	–	–
	<u>–</u>	<u>–</u>

Hong Kong profits tax has been provided at the statutory tax rate of the estimated assessable profits for the period less available tax losses. Under the two-tier 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%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. LOSS PER SHARE

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

	Six months ended June 30,	
	2021	2020
	HK\$'M	HK\$'M
Loss for the period attributable to owners of the Company for the purposes of calculating basic loss per share	<u>(35.6)</u>	<u>(37.4)</u>

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
Number of ordinary shares for the purposes of calculating basic loss per share	<b><u>2,599,993,088</u></b>	<u>2,599,993,088</u>

No diluted loss per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

## 9. TRADE AND OTHER RECEIVABLES

The following is an ageing analysis of trade receivables (net of provision for doubtful debts) presented based on the invoice date at the reporting date:

	<b>As at June 30, 2021 HK\$'M</b>	As at December 31, 2020 HK\$'M
0 to 30 days	<b>0.4</b>	–
31 to 90 days	–	–
Over 90 days	<b>0.8</b>	0.8
Trade receivables	<b>1.2</b>	0.8
Other receivables	<b>10.1</b>	5.5
Total trade and other receivables	<b><u>11.3</u></b>	<u>6.3</u>

The Group normally allows credit period of 30 to 60 days to its trade customers. Customers with a long business relationship and strong financial position are allowed to settle their balances beyond the normal credit terms up to 90 days.

## 10. TRADE AND OTHER PAYABLES

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

	<b>As at June 30, 2021 HK\$'M</b>	As at December 31, 2020 HK\$'M
0 to 30 days	<b>3.7</b>	3.8
31 to 90 days	<b>0.5</b>	1.7
Over 90 days	<b>24.1</b>	29.1
Trade payables	<b>28.3</b>	34.6
Other payables	<b>27.9</b>	23.9
Total trade and other payables	<b><u>56.2</u></b>	<u>58.5</u>

## 11. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount <i>HK\$'M</i></b>
Authorised:		
At December 31, 2020 and June 30, 2021 – ordinary shares of HK\$0.10 each	<u>20,000,000,000</u>	<u>2,000.0</u>
At December 31, 2020 and June 30, 2021 – ordinary shares of US\$0.10 each	<u>10,000</u>	<u>–</u>
Issued and fully paid:		
At December 31, 2020 and June 30, 2021 – ordinary shares of HK\$0.10 each	<u>2,599,993,088</u>	<u>260.0</u>

## **FINANCIAL RESULTS**

The Group's total revenue for 1H2021 amounted to HK\$12.2 million (1H2020: HK\$32.1 million), representing a decrease of approximately 62.0% as compared with the same period 1H2020.

Gross profit totaled HK\$0.1 million for 1H2021 (1H2020: HK\$3.3 million), representing a decrease of approximately 97.0% as compared with the same period last year. Gross profit margin decreased to 0.8% in 1H2021 due to the relatively low sales orders in terms of quantity and the fixed production overhead remained stable, thus the production cost increased which leading the gross profit margin dropped sharply.

Total operating expenses of the Group, including research and development costs, distribution and selling expenses, general administrative expenses and finance cost, amounted to HK\$33.4 million for 1H2021 (1H2020: HK\$44.5 million). As the revenue decreased for 1H2021 and the management implemented various measures to control the operating expenses, the operating expenses decreased accordingly.

Other gains and losses during for 1H2021 were recorded as net losses of HK\$0.2 million (1H2020: gains of HK\$3.9 million).

Losses for 1H2021 was HK\$35.6 million (1H2020: loss of HK\$37.4 million).

## **BUSINESS REVIEW**

In the first half year of 2021 (the "Y2021"), the overall purchase momentum particularly in the consumer electronic business is much more sluggish due to the COVID-19 pandemic and 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 has achieved the sales revenue amount HK\$12.2 million in 1st half of Y2021.

Smart Learning & Immersive Technology (SLIT) and Sports, Fitness and Health (SFH) are still the main product categories; the Group already found way 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.

### **Oregon Scientific ("OS")**

In 1H2021, sales revenue of OS business totaled HK\$8.2 million (1H2020: HK\$13.3 million), 38.3% decrease compared to that of last year which was mainly effected by COVID-19 pandemic, accounting for 67.2% of the Group's total sales revenue. SLIT and CoH were still the main product categories, health care will be another product category the Group focus on in coming days.

The market demand for SLIT is still trendily strong. The Group is working with the Intellectual Property Publishing House of the People’s Republic of China (“China” or “PRC”) for the strategic partnership and started the tailor-made product development to meet the tremendous consumer demand of the smart learning products in China. As market demand for health product is increasing, the Group has started the association with a leading hospital in Jiangsu province in China for sleep improvement and health tracking projects, such will take an important part in the Sport, Fitness and Health category particularly for the China market.

Due to the COVID-19 pandemic, both the local and oversea sales were impacted greatly. 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.

### **China Market**

With coronavirus epidemic impact in the first half of 2021, the Group will continue to focus on intelligent education in China market so as to manufacture more molds and intelligent interaction products through the technology of artificial intelligence (“AI”) voice intelligence, AI image recognition. Focusing on intelligent health so as to solve the snore problem through new medical technology and monitoring sleep, heart rate, assistance and guarding out of bed through new sensor technology.

Besides maintaining its existing business, the Group is actively exploring and developing new channels and models, which includes increasing our efforts in short video, community promotion, sales and marketing, while also connecting with professional markets such as educational institutions and hospitals to further verticalis the Group’s brand and products, bringing the Group closer to users.

### **Value Manufacturing Services (“VMS”)**

In 1H2021, 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. Overall the sales revenue of the VMS business in 1H2021 was HK\$4.0 million (1H2020: HK\$18.8 million), which accounted for 32.8% of the Group’s total revenue.

Despite the lower sales revenue, the Group re-shaped the customer base and re-negotiated for the more favorable 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 on digital health products such as activity tracking, blood glucose monitoring, heart rate monitoring, blood pressure monitoring etc, will bring new business opportunities to grow the business.

## **OUTLOOK**

In 1H2021, the Group continues to be confronted by the unprecedented impact of COVID-19 on the global economic outlook, which also impacted the general economic and market conditions in China and Hong Kong and the industry in which the Group operated. Nonetheless, there are still opportunities and the Group remains confident in its business direction and strategy in 2021.

The Group will continue to explore China market and maximizes customer coverage through offline and online channels, with customized product development focusing on sports fitness health and smart learning products. Strategic partnerships will be formed with the leading institutes in the areas of kids learning and healthcare in China to develop customized products and promotion through joint effort.

### **Oregon Scientific (“OS”)**

Since the 2nd half of 2021, the main objective under OS is to re-activate the brand business and recover the orders of OS brand partners in the overseas markets. The Group has scheduled to hold several sales campaigns in overseas markets.

Several new smart learning products will be launched and this category will continue to be the main product category of the OS business. The upcoming new products not only will come with the immersive augmented reality (AR) technology, but also equipped with the voice recognition function to enhance the children’s learning experience. Strategic partnership will be formed with Intellectual Property Publishing House, which is under the National Intellectual Property Administration of the PRC with a focus on promoting this product category into the targeted channels include school with joint promotion effort.

The Group will also continue to work on controlling the selling expenses, reducing the inventory level and enhancing the cash collection turnover through the on-going adjustment in business model to enhance business efficiency.

### **Value Manufacturing Services (“VMS”)**

The Group continues to strategically focus on those customers who contribute good scale and profit margin and technology know-how sharing and improve its service. Sports, fitness, health and connected home would continue to be the main category of the VMS business.

The Group will continue to put emphasis on sleep aid and health monitoring system. All these new products are related to the big data concept. As such, the Group’s customers and strategic partners will work with the Group to analyze and utilize these data to develop products which could suit better the consumers’ needs.



Besides retaining the existing customers and developing new ones, the Group's focus includes continuously improving the efficiency of product developments and manufacturing operation. The Group will continue to innovate the Group's products with the Group's VMS customers at the lowest cost with best endeavours. As such, the Group's VMS customers would be able to retain more resources to invest in new products and make the Group more competitive and grow together.

## **WORKING CAPITAL**

Inventory amount as at June 30, 2021 was HK\$5.6 million, representing a decrease of approximately 21.1% as compared to HK\$7.1 million as at December 31, 2020. The inventory turnover days increased to 192 days (December 31, 2020: 87 days).

Trade debtor amount as at June 30, 2021 was HK\$1.2 million, representing an increase of approximately 50.0% as compared to HK\$0.8 million as at December 31, 2020. Trade debtor's turnover days decreased to 30 days (December 31, 2020: 97 days).

## **LIQUIDITY AND TREASURY MANAGEMENT**

As at June 30, 2021, the bank balances and cash of the Group, including restricted bank balances, were HK\$7.1 million (December 31, 2020: HK\$13.1 million).

During 1H2021, the Group generated its funds mainly from operating and financing activities. The Group is making its best endeavour to optimize its financial resources and may consider raising funds through financing activities to meet all working capital requirements if necessary.

## **CHARGES ON GROUP'S ASSETS**

As at June 30, 2021, there were no charges on the Group's assets.

## **CAPITAL EXPENDITURE**

There was no capital expenditure on property, plant and equipment for 1H2021 (1H2020: Nil).

There were no material acquisitions or disposals of associated companies in the course of 1H2021.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for 1H2021 (1H2020: Nil).

## **CONTINGENT LIABILITIES**

As set out in the annual report of the Company for the year ended December 31, 2020 (“FY2020”):

- (a) 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” as at December 31, 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 FY2020. Subsequent to December 31, 2020 and up to the date of approving these consolidated financial statements, the litigation is still in process.
- (b) during the year ended December 31, 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” on December 31, 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 December 31, 2020 and the six months ended June 30, 2021. Subsequent to the December 31, 2020 and up to the date of approving this interim results announcement, the litigation is still in process.

Other than the disclosure of above and elsewhere in the consolidated financial statements, which also set out in the annual report of the Company for FY2020, the Group was not involved in any other material litigation or arbitration as at June 30, 2021.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at June 30, 2021, the Group had approximately 378 employees (June 30, 2020: approximately 452 employees). The Group fully recognises the importance of its employees who contribute significantly to its success and continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular professional trainings.

The Group's remuneration policy is to provide compensation packages at market rates which rewards individual performance and to attract, retain and motivate high quality employees. The compensation packages offered by the Group are comparable with other entities of similar size and business nature and are reviewed annually. The components of the employee remuneration package comprise basic salary, double pay, fringe benefits including pension scheme, medical insurance, life and personal accident insurance, employee compensation and business travel insurance as well as incentives like discretionary cash bonus.

## **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 securities during the review period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors of the Group (the "Code") on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules.

Having made specific enquiry of all directors, they have confirmed that they complied with the required standards set out in both the Model Code and the Code throughout 1H2021.

## **CORPORATE GOVERNANCE**

During 1H2021, save for the deviation from code provision A.2.1 and code provision C.1.3 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, the Company has applied the principles and complied with all code provisions of the CG Code.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the Chief Executive Officer (the "CEO") should be separate 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.

According to the code provision C.1.3 of the CG Code, where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the corporate governance report. It was noted that the auditors of the Company issued a disclaimer of opinion on the Company's audited report for the year ended 31 December 2020, and there was no such discussion included in the corporate governance report of the Company for the year ended 31 December 2020, as the directors were noticed that relevant detailed discussion had already included in the directors' report for the year ended 31 December 2020.

## 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 unaudited financial results of the Group for 1H2021 have been reviewed by the Audit Committee.

## APPRECIATION

On behalf of the Board, I wish to express gratitude to the management team and staff members for their hard work, dedication and support to the Group throughout the review period.

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

Hong Kong, August 27, 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.

Website: <http://www.idthk.com>