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IDT INTERNATIONAL LIMITED

萬威國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 167)

**(1) SUPPLEMENTAL INFORMATION RELATED TO
THE MAJOR TRANSACTION IN RELATION TO
THE HEAD-LEASE AGREEMENTS; AND
(2) MAJOR TRANSACTION IN RELATION TO
THE SUB-LEASE AGREEMENTS**

Reference is made to the announcement of IDT International Limited (the “**Company**”) dated 14 December 2020, the announcement of the Company dated 18 December 2020 (collectively, the “**Announcements**”) and the circular of the Company dated 14 January 2021 (the “**First Circular**”) in relation to the Group (as tenant) entering into lease agreements (the “**Head-lease Agreements**”) of the Premises, which were approved in the extraordinary general meeting held on 29 January 2021 (the “**First EGM**”).

Unless the context requires otherwise, the terms used in this announcement shall have meaning as defined in the First Circular.

**SUPPLEMENTAL INFORMATION RELATED TO THE MAJOR TRANSACTION IN
RELATION OT THE HEAD-LEASE AGREEMENTS**

As disclosed in the Announcements and the First Circular, the Group has been permitted by the Landlord to use the Premises since 1 April 2020 and 31 January 2021 upon payment of monthly rental without fixed-term tenancy agreement, and the Group (as tenant) entered into the Head-lease Agreements in respect of the tenancy of the Premises for a fixed term of two years commencing from 1 February 2021 to 31 January 2023.

The Board would like to draw the Shareholders’ attention that, among others, subsequent to the despatch of the First Circular and the First EGM, the Group has entered into sub-lease agreements (the “**Sub-lease Agreements**”) with Finance Lease Sub-tenants (as defined below) on 1 February 2021 for a fixed term of 2 years from 1 February 2021 to 31 January 2023. The information in relation to the Sub-lease Agreements might or might not have affected the voting intention of the Shareholders on the Head-lease Agreements at the First EGM.

* *For identification purpose only*

Accordingly, the Company proposed to issue a second circular (the “**Second Circular**”) containing the information on, among others, the Sub-lease Agreements, for the Shareholders’ re-consideration and casting vote at the second extraordinary general meeting (the “**Second EGM**”).

SUB-LEASE AGREEMENTS CONSTITUTE MAJOR TRANSACTIONS OF THE COMPANY

The Group has been permitted by the Landlord to use the Premises since 1 April 2020 and until 31 January 2021 upon payment of monthly rental without fixed-term tenancy agreement, during the period of which part of the Premises had been sub-leased by the Group to independent third party sub-tenants upon monthly payment without fixed-term tenancy. Based on the applicable accounting standard, such sub-leases without fixed term should be classified as “rental income” or “other income”, and would not constitute finance lease or notifiable transaction under the Listing Rules.

After the First EGM held on 29 January 2021 which approved the Head-lease Agreements for a term from 1 February 2021 to 31 January 2023, the Group and the Finance Lease Sub-tenants discussed about the possibility of entering into formal sub-leases upon the same monthly rental and for a term mirroring the term of the Head-lease Agreements, details of which are as follows:

	Address of the property concerned	Reference to the First Circular	Counterparties (the “Finance Lease Sub-tenants”)	Term	Area (square metres)	Monthly rent (RMB)
1	中國深圳市寶安區西鄉街道寶民二路臣田工業區第29棟2、3、4樓及30棟1-4樓 (unofficial English translation being 2, 3 and 4/F of Tower 29 and 1-4/F of Tower 30, Chentian Industrial District, Baomin Er Road, Xixiang Road, Baoan District, Shenzhen, the PRC)	Part of Site 1 and Site 2	Finance Lease Sub-tenant A (being 深圳市首仁科技有限公司 (unofficial English translation being Shenzhen Shouren Technology Company Limited) (“SZSR”))	1 February 2021 to 31 January 2023	15,517.25	456,207.15

	Address of the property concerned	Reference to the First Circular	Counterparties (the “Finance Lease Sub-tenants”)	Term	Area (square metres)	Monthly rent (RMB)
2	中國深圳市寶安區 西鄉街道寶民二路 臣田工業區第31棟 2、4、5樓 (unofficial English translation being 2, 4, 5/F of Tower 31, Chentian Industrial District, Baomin Er Road, Xixiang Road, Baoan District, Shenzhen, the PRC)	Part of Site 5	SZSR	1 February 2021 to 31 January 2023	5,775.00	169,785.00
3	中國深圳市寶安區 西鄉街道寶民二路臣 田工業區第33棟 1、2、5樓 (unofficial English translation being 1, 2, 5/F of Tower 33, Chentian Industrial District, Baomin Er Road, Xixiang Road, Baoan District, Shenzhen, the PRC)	Part of Site 7	SZSR	1 February 2021 to 31 January 2023	4,895.00	202,751.00
Sub-total:					26,187.25	828,743.15

Address of the property concerned	Reference to the First Circular	Counterparties (the “Finance Lease Sub-tenants”)	Term	Area (square metres)	Monthly rent (RMB)
中國深圳市寶安區 西鄉街道寶民二路 臣田工業區第14棟 綜合樓2/F (unofficial English translation being 2/F of Tower 14, Chentian Industrial District, Baomin Er Road, Xixiang Road, Baoan District, Shenzhen, the PRC)	Part of Site 3	Finance Lease Sub-tenant B (深圳市百立勤餐 飲策劃管理有限 公司)		350.00	9,187.50
中國深圳市寶安區 西鄉街道寶民二路 臣田工業區 第32棟1/F (unofficial English translation being 1/F of Tower 32, Chentian Industrial District, Baomin Er Road, Xixiang Road, Baoan District, Shenzhen, the PRC)	Part of Site 4	Finance Lease Sub-tenant C (深圳市東升泰食 品有限公司)		1,925.00	59,578.75
中國深圳市寶安區 西鄉街道寶民二路 臣田工業區 第33棟4/F (unofficial English translation being 4/F of Tower 33, Chentian Industrial District, Baomin Er Road, Xixiang Road, Baoan District, Shenzhen, the PRC)	Part of Site 7	Finance Lease Sub-tenant D (深圳市愛寶惟生 物科技有限公司)		858.00	35,538.36
		Total		<u>29,320.25</u>	<u>933,047.76</u>

The monthly rental under the Sub-lease Agreements is determined with reference to the prevailing market rental of similar property in nearby locations. Details of the abovementioned properties had been stated in the First Circular.

Because of the Company's inadvertent misunderstanding on the accounting standard, the Company was unaware that the entering into of the Sub-lease Agreements on 1 February 2021 would be considered as a finance lease which constitute transaction as defined under Chapter 14 of the Listing Rules. Further, the Sub-lease Agreements with SZSR, on aggregate basis, constitute major transaction under Chapter 14 of the Listing Rules, while each of the Sub-lease Agreement with Finance Lease Sub-tenant B, C and D does not constitute discloseable transaction or major transaction.

Accordingly, the Second Circular will also contain details of the Sub-lease Agreements with SZSR which constitute major transaction of the Company which is subject to shareholders approval.

INFORMATION OF THE PARTIES

The Group is principally engaged in investment holdings, design, development, manufacturing, marketing and distribution of lifestyle electronic products.

The Landlord is principally engaged in domestic commerce, materials supply and property management. To the best information, knowledge and belief of the Company, the Landlord is held as to 84.03% in the form of collaboration shareholding (合作股) held by a group of villagers (村民) and as to 15.97% in the form of collective shareholding (集體股) held by 深圳市臣田集體資產管理委員會 (unofficial English translation being Shenzhen City Chentian Collective Asset Management Committee), and all of them are parties independent to the Company and not related to the Company and its connected persons.

SZSR is principally engaged in electronic products development and sales, and is owned as to 50% and 50% by Huang Huabiao (黃華彪) and Huang Yanmei (黃燕梅). SZSR and its ultimate beneficial owners are parties independent to the Company and not related to the Company and its connected persons.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE HEAD-LEASE AGREEMENTS AND THE SUB-LEASE AGREEMENTS

As disclosed in the Announcements and the First Circular, due to the nature of its business, the Group has to enter into tenancy agreements for the production of its products in the PRC from time to time. The Premises were part of the previous premises leased by the Group from the Landlord as factory and office space as well as dormitories, which has lasted for over 20 years. As the previous fixed-term lease agreements had already expired on 31 March 2020, the Group and the Landlord have been in negotiation on the renewal of tenancy, and the Group has been permitted by the Landlord to use the Premises between 1 April 2020 and 31 January 2021 upon payment of monthly rental without fixed-term tenancy agreement. The Landlord

and the Group have subsequently entered into the Head-lease Agreements. The monthly rental under the Head-lease Agreements is determined with reference to the prevailing market rental of similar property in nearby locations. The Board considers that the terms of the Head-lease Agreements are on normal commercial terms and are fair and reasonable and the entering into of the Head-lease Agreements is in the interests of the Company and the Shareholders as a whole.

However, due to weak demand for the Group's products as demonstrated by the Company's recent decrease in revenue, the Group could not use all the spaces leased by the Group at the Premises, and the total areas of the Premises are in excess of the Group's need as at the time of entering into of the Head-lease Agreements. On the other hand, the Group may need more space when the demand for the Company's products becomes stronger in future. The Directors are of the view that subletting certain areas of the factories in excess of the production needs to its sub-lessees (which are independent third parties) can generate income to the Group for reducing the net lease payments of the Group and is for the benefit of the Company and its shareholders as a whole. It can maximise the Company's resources from the operation perspective and increase the Company's cash inflow. In addition, the monthly rental received under Sub-lease Agreements from the sub-leased areas being an aggregate of RMB933,047.76 represents approximately 7.05% premium over the pro-rata rental of RMB871,599 under the Head-lease Agreements.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Hong Kong Financial Reporting Standards (“**HKFRS**”) 16, the entering into of the Head-lease Agreements by the Group will require the Group to recognise the Premises as a right-of-use asset. Therefore, the entering into of the Head-lease Agreements will be regarded as an acquisition of asset by the Group under the Listing Rules. The audited value of right-of-use asset initially recognised by the Company under the Head-lease Agreements amounted to approximately RMB57.1 million.

Pursuant to Hong Kong Accounting Standard (“**HKAS**”) 17, the entering into of the Sub-Lease Agreements by the Group will require the Group to recognise the Sub-Leases as finance lease receivables. Therefore, the entering into of the Sub-Lease Agreements should be regarded as an acquisition of asset by the Group under the Listing Rules. The audited value of finance lease receivables initially recognised by the Company under the Sub-Lease Agreements amounted to approximately RMB26.4 million in aggregate.

As the highest applicable percentage ratio (the “**Applicable Percentage Ratio**”) as defined under the Listing Rules in respect of the entering into of the Head-Lease Agreements pursuant to HKFRS 16 and the subsequent acquisition of the finance lease receivables recognised by the Group pursuant to HKAS 17 based on the consideration under the Sub-Lease Agreements with SZSR is 25% or more but is less than 100% when aggregated, the entering into of the Sub-Lease Agreements with SZSR constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Applicable Percentage Ratio in respect of Sub-lease Agreement with each of Finance Lease Sub-tenant B, C and D is below 5% and do not constitute discloseable transaction or major transaction of the Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Company's Shareholders or their respective associates have any material interests in the Head-lease Agreements and the Sub-Lease Agreements. Accordingly, in the event of a general meeting convened by the Company to approve, confirm and ratify the Head-lease Agreements and the Sub-Lease Agreement with SZSR, none of the Company's Shareholders are required to abstain from voting.

The Company will convene the Second EGM to approve, confirm and ratify the entering into of (i) the Head-Lease Agreements on the condition that the Group may sub-lease the Premises, and (ii) the entering into of the Sub-Leases Agreements with SZSR which are subject to Shareholders' approval pursuant to Chapter 14 of the Listing Rules. A circular containing, among other things, further information on the Head-lease Agreements, the Sub-Lease Agreements with SZSR and the transaction contemplated thereunder is expected to be despatched to the Shareholders in accordance with the Listing Rules on or before 31 December 2021, which is more than 15 business days after the publication of this announcement, as more time is required by the Company to prepare the indebtedness statement of the Group to be included in the circular.

BREACHES OF THE LISTING RULES AND REMEDIAL ACTIONS TAKEN BY THE GROUP

The Group did not announce the details of the Sub-Lease Agreements with SZSR and the transactions contemplated thereunder as a major transaction in a timely manner and obtained Shareholders' approval in advance as required by Rules 14.34 and 14.40 of the Listing Rules due to inadvertent oversight of the implementation of HKFRS 16 in relation to Sub-lease Agreements with SZSR. The Board was not aware of that pursuant to HKFRS 16, the entering into of the Sub-Lease Agreements by the Group as a sub-lessor will require the Group to recognise the Premises as a finance lease receivable and such will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules, which shall be subject to percentage ratios (as defined in Rule 14.04(9)) and disclosure requirements under Chapter 14 of the Listing Rules. Upon considering the size tests conducted by the Company, the Board admits that the entering into of the Sub-Lease Agreements with SZSR should be a major transaction of the Group. The Company has accordingly circulated an internal reminder to the management of the Group to report any transactions which may have Listing Rules implications to the Board to assess the applicable compliance requirements before entering into any such transactions.

To ensure the Company's compliance with the Listing Rules in the future, the Company will take/has taken the following remedial measures:

- (i) the Company will hold the Second EGM to approve, confirm and ratify the entering into of (i) the Head-Lease Agreements on the condition that the Group may sub-lease the Premises, and (ii) the entering into of the Sub-Lease Agreements with SZSR which are subject to shareholders approval pursuant to Chapter 14 of the Listing Rules;
- (ii) the Company has published this announcement and will publish a circular regarding the Second EGM disclosing the details of the current Head-Lease Agreements and Sub-Lease Agreements with SZSR which are classified as finance leases;
- (iii) the Board has arranged for an accounting training provided by a firm of certified public accountants in Hong Kong on 27 August 2021 for all its Directors on leases, with the hope of updating the Directors on the proper accounting treatment of leases (and also the related Listing Rules) and minimizing the chance of any similar incidents being occurred again.

By Order of the Board
IDT International Limited
Zhu Yongning

Executive Director and Chief Executive Officer

Hong Kong, 29 October 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>