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## **IDT INTERNATIONAL LIMITED**

**萬威國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

### **ANNOUNCEMENT OF THE UNAUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue amounted to HK\$22.6 million (FY2020: HK\$55.4 million).
- Gross profit amounted to HK\$2.6 million (FY2020: HK\$5.6 million).
- Total operating expenses amounted to HK\$65.3 million (FY2020: HK\$91.5 million).
- Loss for the year amounted to HK\$71.2 million (FY2020: HK\$95.8 million).
- Bank balances and cash amounted to HK\$52.9 million (31 December 2020: HK\$9.4 million).

The board of directors (the “**Board**” or the “**Directors**”) of IDT International Limited (the “**Company**”) hereby present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with comparative audited figures for the year ended 31 December 2020.

\* For identification purposes only

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

		For the year ended 31 December 2021 (Unaudited) HK\$ million	For the year ended 31 December 2020 (Audited) HK\$ million
	<i>NOTES</i>		
<b>Revenue</b>	3	<b>22.6</b>	55.4
Cost of goods sold		<u>(20.0)</u>	<u>(49.8)</u>
Gross profit		<b>2.6</b>	5.6
Other income		<b>3.5</b>	16.2
Other losses, net		<b>(5.3)</b>	(4.7)
Charge of loss allowance on trade receivables		–	(18.2)
Research expenses		<b>(13.8)</b>	(27.3)
Distribution and selling expenses		<b>(5.4)</b>	(14.7)
General administrative expenses		<b>(46.1)</b>	(49.5)
Finance costs	4	<u>(6.7)</u>	<u>(3.2)</u>
<b>Loss before taxation</b>		<b>(71.2)</b>	(95.8)
Taxation		<u>–</u>	<u>–</u>
<b>Loss for the year</b>		<b>(71.2)</b>	(95.8)
<b>Other comprehensive loss:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(0.1)</u>	<u>(0.4)</u>
<b>Total comprehensive loss for the year</b>		<b><u>(71.3)</u></b>	<b><u>(96.2)</u></b>
<b>Loss for the year attributable to:</b>			
– Owners of the Company		<b>(71.2)</b>	(95.8)
– Non-controlling interests		<u>–</u>	<u>–</u>
		<b><u>(71.2)</u></b>	<b><u>(95.8)</u></b>
<b>Total comprehensive loss for the year attributable to:</b>			
– Owners of the Company		<b>(71.3)</b>	(96.2)
– Non-controlling interests		<u>–</u>	<u>–</u>
		<b><u>(71.3)</u></b>	<b><u>(96.2)</u></b>
<b>Loss per share</b>			
– Basic and diluted ( <i>HK cents</i> )	5	<b><u>(2.74)</u></b>	<b><u>(3.68)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2021 (Unaudited) <i>HK\$ million</i>	At 31 December 2020 (Audited) <i>HK\$ million</i>
<b>Non-current assets</b>		
Property, plant and equipment	1.5	4.0
Investment properties	1.6	3.1
Right-of-use assets	14.5	29.2
Finance lease receivables	1.1	13.8
Goodwill	–	–
Rental deposits	3.4	3.4
	22.1	53.5
<b>Current assets</b>		
Inventories	5.2	7.1
Trade and other receivables	1.0	6.3
Finance lease receivables	12.7	11.7
Restricted bank balances	–	3.7
Cash and cash equivalents	52.9	9.4
	71.8	38.2
<b>Current liabilities</b>		
Trade and other payables	61.1	58.5
Lease liabilities	24.4	26.8
Tax payable	12.0	12.9
Contract liabilities	18.7	18.7
Loan from a shareholder	203.7	121.5
	319.9	238.4
<b>Net current liabilities</b>	<b>(248.1)</b>	<b>(200.2)</b>
<b>Non-current liabilities</b>		
Lease liabilities	18.3	29.8
Borrowings	48.7	44.8
	67.0	74.6
<b>NET LIABILITIES</b>	<b>(293.0)</b>	<b>(221.3)</b>

	<b>At 31 December 2021 (Unaudited) <i>HK\$ million</i></b>	At 31 December 2020 (Audited) <i>HK\$ million</i>
<b>Capital and reserves</b>		
Share capital	<b>260.0</b>	260.0
Reserves	<b>(553.1)</b>	(481.4)
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>(293.1)</b>	(221.4)
Non-controlling interests	<b>0.1</b>	0.1
	<hr/>	<hr/>
<b>NET DEFICIT</b>	<b>(293.0)</b>	(221.3)
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. GENERAL

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 1, 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 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 2020 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.

### 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 HKAS 39, HKFRSs 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the reform). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

## Future changes in HKFRSs

At the date of authorisation of these 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 16	Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Annual Improvements to HKFRSs	2018–2020 Cycle <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> The effective date to be determined

## 3. 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 <i>HK\$ million</i>	Connected home and communications <i>HK\$ million</i>	Health and wellness <i>HK\$ million</i>	Others <i>HK\$ million</i>	Total <i>HK\$ million</i>
<b>Year ended 31 December</b>					
<b>2021 (Unaudited)</b>					
<i>Timing of revenue recognition</i>					
At a point in time	<b>6.8</b>	<b>6.5</b>	<b>0.9</b>	<b>8.4</b>	<b>22.6</b>
<b>Year ended 31 December</b>					
<b>2020 (Audited)</b>					
<i>Timing of revenue recognition</i>					
At a point in time	24.7	19.5	6.0	5.2	55.4

## 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 2021 and 2020, 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.

## 4. FINANCE COSTS

	2021 <i>HK\$ million</i> (Unaudited)	2020 <i>HK\$ million</i> (Audited)
Interest on borrowings	2.9	2.6
Interest on lease liabilities	3.8	0.6
	<u>6.7</u>	<u>3.2</u>

## 5. 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:

	2021 <i>HK\$ million</i> (Unaudited)	2020 <i>HK\$ million</i> (Audited)
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(71.2)</u>	<u>(95.8)</u>
Number of ordinary shares:	2021	2020
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>2,599,993,088</u>	<u>2,599,993,088</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group's total revenue for the year ended 31 December 2021 ("FY2021") was amounted to HK\$22.6 million (year ended 31 December 2020 ("FY2020"): HK\$55.4 million), which was due to the global impact of the COVID-19, leading to the economic downturn.

Gross profit for FY2021 totalled HK\$2.6 million (FY2020: HK\$5.6 million). Gross profit decreased by 53.6% for FY2021. The Group continues to face with the challenges with the unprecedented impact of the COVID-19 in 2021 and the reduction of overseas sales leads to a decrease in gross profit.

In 2021, the Group continued to execute stringent cost controls and streamline organisational structure and operational procedures. Total operating expenses of the Group for FY2021, including research costs, distribution and selling expenses and general administrative expenses, amounted to HK\$65.3 million (FY2020: HK\$91.5 million). The total operating expense for FY2021 decreased by approximately 28.6% since the distribution and selling expense has dropped for approximately 63.3% which was attributable to the decrease in turnover. Further, general administrative expense for FY2021 reduced by 6.9%.

Loss for FY2021 was HK\$71.2 million (FY2020: HK\$95.8 million).

### BUSINESS REVIEW

Due to resurgence of the COVID-19 pandemic in 2021 and the impact of the trade war on the global supply chain of chips, the consumer electronic industry has suffered serious disruption in development. The Group continued to devote efforts in reshaping product development direction, customer base and commercial terms, and in streamlining its organisational structure, operation processes and administrative costs. For 2021, the Group recorded sales revenue of approximately HK\$22.6 million and gross profit of approximately HK\$2.6 million.

Meanwhile, management implemented various measures to improve lean manufacturing, streamline manpower and achieve business model reform. Due to the sudden resurgence of the pandemic in the People's Republic of China ("PRC" or "China"), the PRC government has called for private enterprises to minimise or suspend operations, and imposed lockdowns in various areas. In response to the government's appeal and to minimise incurring non-operating costs, the Group decided to temporarily halt work for some employees of our Shenzhen factory in March 2022, as disclosed in the announcement of the Company dated 7 March 2022.



## **VALUE MANUFACTURING SERVICES (“VMS”)**

The global electronics industry remained sluggish in FY2021 due to global coronavirus pandemic, which caused logistics disruptions and difficulties in work resumption of supply chain upstream enterprises. For FY2021, the VMS business recorded sales revenue of approximately HK\$10.0 million (FY2020: approximately HK\$24.7 million), representing approximately 44.2% of the Group’s total revenue.

Despite the lower sales revenue, the VMS research and development team continued to maintain close relationships with global innovative technology partners to explore new partnership opportunities, such as the joint development of the E-ink watch, pulse wave transit time (PWTT) smart blood pressure measurement and dynamic heart rate measurement solutions, in order to maintain our technological edge and market competitiveness.

Management decided to renegotiate more favourable commercial terms with most of our VMS customers, with an aim to improve gross margins and speed up the recovery of trade receivables, which will help build a robust foundation for future business development.

## **OREGON SCIENTIFIC (“OS”)**

For FY2021, the OS business recorded total sales revenue of approximately HK\$12.6 million (FY2020: approximately HK\$30.7 million), decreasing by approximately 59.0% over last year, representing approximately 55.8% of the Group’s total revenue. The decrease in revenue was mainly due to the impact of the global coronavirus pandemic.

Smart Learning & Immersive Technology (the “**SLIT**”) and health care will be a focus category. The Group has commenced a partnership with a leading hospital and sleep science research institute in Jiangsu, China, to develop projects on sleep improvement and health tracking, with strong focus on the demand for health care assistance products from middle-aged and elderly consumer groups, which will be significant for the sports, fitness and health (“**SFH**”) category. With online learning gradually becoming a major method for education in the pandemic, opportunities in the SLIT market have increased. The Group is building a strategic partnership with China’s Intellectual Property Publishing House to commence development on new products, in order to satisfy the massive demand for smart learning products from consumers in China.

## **CHARGES ON GROUP ASSETS**

At 31 December 2021, there were no finance charges on the Group’s assets.

## **DIVIDEND**

The Directors of the Company do not recommend any dividend for FY2021 (FY2020: Nil).

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2021, the Group had 353 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 training.

The Group's remuneration policy is to provide compensation packages at market rates which reward individual's performance and attract, retain and motivate high quality employees. The compensation packages offered by the Group are comparable with other organisations of similar size and business nature and are reviewed annually. The components of employee's remuneration package consist of base 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.

In Xixiang, Shenzhen, China where the Xixiang facilities are located, staff welfare rates are set with reference to the prevailing labour laws in China. Accommodation and leisure facilities are also provided to local staff at Xixiang facilities.

The Group's remuneration philosophy for senior executives is based upon creating a strong link between performance and reward in accordance with the following principles:

1. Fixed salaries and benefits are set at median-market level against comparable groups of companies selected on the basis of similar size and business nature and benchmarked with the prevailing market conditions; and
2. Performance-related bonus is linked to the achievement of pre-defined performance targets including financial targets, performance index and pre-agreed management objectives.

The emolument of the Directors is recommended by the remuneration committee with reference to companies of comparable business type or scale, and the nature and quantity of work at both Board and Board committee ("**Board Committee**") levels (including frequency of meetings and nature of agenda items) in order to compensate Directors reasonably for their time and efforts spent. The Directors' emolument is approved by the Board pursuant to the mandate granted by the shareholders at annual general meetings. Remuneration are paid to a Director for appointment as a member of a particular committee. Non-Executive Directors receive no base pay, benefits, bonus or pension except reimbursement for expenses incurred in connection with their directorship of the Company. No individual Director is allowed to participate in the procedures for deciding his/her individual remuneration package.

## **OUTLOOK**

Despite the uncertain global economy and the globally surge of COVID-19 cases 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 2022.

The Group continues to develop China market maximising customer coverage from offline and online channels, with customised product development focus on SFH and SLIT products. The Group will form strategic partnerships with the leading institutes in China in the children learning and healthcare areas to develop the customised products and promotion through the joint effort.

## **EVENT AFTER THE END OF THE REPORTING PERIOD**

Since January 2022, the surge of COVID-19 cases and the implementation of the tightened COVID-19 prevention and control quarantine measures in the PRC and Hong Kong has hampered the audit progress, and COVID-19 pandemic has affected the Company's operation to the extent that the Company's factory in Shenzhen temporarily discontinued production with effect from 5 March 2022 until further notice (as disclosed in the Company's announcement dated 7 March 2022). The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

## **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 2021.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") under Appendix 14 of the Listing Rules throughout the year ended 31 December 2021, 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 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 shall be independent 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.

Code Provision A.6.7 stipulates, inter alia, independent non-executive Directors and other non-executive Directors, as equal Board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Certain Directors failed to attend the general meetings as tight business schedule.

## **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 2021.

## **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.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

Due to the implementation of the COVID-19 pandemic prevention and control quarantine measures in Shenzhen and Hong Kong, the operation of the Company's accounting and finance team for the preparation of relevant financial information in facilitating the audit has been seriously affected. In addition, the auditor of the Company needs more time to collect the supporting documents and perform relevant audit procedures in order to complete the audit work. The pandemic and infection case have also affected the allocation of human resources by the auditor. Given additional time is required to complete the necessary audit work, the Company is unable to publish the 2021 audited annual results on or before 31 March 2022 in accordance with Rule 13.49 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited annual results contained herein have not been agreed with the Company's auditors. Since the audit of the Group's consolidated financial statements has not been completed, an announcement relating to the audited annual results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This unaudited 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 audited annual results and the annual report for the financial year are expected to be announced and despatched to the shareholders of the Company and available on the same websites on or before 13 May 2022.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 31 March 2022

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.