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**IDT INTERNATIONAL LIMITED**

**萬威國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

## **SUPPLEMENTAL ANNOUNCEMENT ON THE 2021 ANNUAL REPORT**

Reference is made to the annual report (the “**2021 Annual Report**”) of IDT International Limited (the “**Company**”, which together with its subsidiaries are collectively referred to as the “**Group**”) for the year ended December 31, 2021 (the “**FY2021**”). Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as defined in the 2021 Annual Report.

In addition to the information provided in the 2021 Annual Report, the Company would like to provide the following supplementary information pursuant to Paragraph 32 of Appendix 16 to the Listing Rules in relation to the recognised impairment of right-of-use assets which amounted to HK\$8.9 million (the “**ROU Asset Impairment**”) and impairment of finance lease receivables which amounted to HK\$8.6 million (the “**Finance Lease Receivables Impairment**”).

The Group entered into the head-lease agreements (“**Head-lease Agreements**”) with landlord (“**Landlord**”) and the Group also entered into sub-lease agreements (“**Sub-lease Agreements**”) with sub-lease tenants for the lease and sublease of certain area of the Company’s factory and office spaces in Shenzhen, PRC. The lease terms for both of the Head-lease Agreements and Sub-lease Agreements are two years commencing on February 1, 2021 and ending on January 31, 2023. Since August 2021, the Group has not made any lease payments to the Landlord which then served a notification on the Group, claiming overdue lease payments which are in the amount of approximately RMB2 million per month since August 2021 and late payment charges (collectively, the “**Overdue Payments**”). Negotiation (the “**Negotiation**”) with the Landlord was started in an attempt for the parties to reach an agreement on the issue of the Overdue Payments.

\* For identification purposes only

Since January 2022, the surge of COVID-19 cases has caused the government of PRC to tighten the relevant prevention and control quarantine measures in the country. The progress of the Negotiation was affected by the restrictive measures and a memorandum of understanding (the “MOU”) was only signed on May 31, 2022 between the Group and Landlord. Based on the terms of the MOU, (1) both parties intended to terminate the Head-lease Agreements at the date of MOU, i.e. May 31, 2022; and (2) the Landlord agreed to take up those rental income receivables under the Sub-lease Agreements up to May 31, 2022 and discharge the relevant Group member’s liability of the Overdue Payments.

During the preparation of the consolidated financial statements for FY2021, the Group performed an impairment assessment on leases-related assets which were investment properties, right-of-use assets and finance lease receivables in accordance with the relevant Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. On the date of signing of the MOU as well as the date of issuance of 2021 Annual Report, i.e. May 31, 2022, the management of the Group revisited the said impairment assessment of the leases-related assets. With the support of the latest information available to the Group, it was concluded that, as a result of shortened Head-lease Agreements and shortened Sub-lease Agreements, impairment of investment properties amounting to HK\$1 million, the ROU Asset Impairment of HK\$8.9 million and the Finance Lease Receivables Impairment of HK\$8.6 million should be made.

In respect of the valuation methods applied in the impairment assessment of investment properties and right-of-use assets, the Group considered that the valuation methodologies reflect the existing business situation of the Group as the Group was operating on a survival basis instead of business expansion basis. As of December 31, 2021, the Group was actively attempting to sublet the unused portion of the leased assets in order to minimise the operation cost burden. Therefore, the application of income capitalisation approach on estimating the recoverable amount of the investment properties and right-of-use assets is reasonable.

### **Impairment assessment of the investment properties and the right-of-use assets**

The investment properties and the right-of-use assets that were initially recognised in accordance to HKFRS 16 upon entering the Head-lease Agreements and Sub-lease Agreements which initial end dates fall on January 31, 2023. Upon the initial recognition of the investment properties and right-of-use assets in accordance to HKFRS 16, the carrying amount of investment property recognition was approximately HK\$3.2 million and the carrying amount of right-of-use assets was approximately HK\$28.9 million. With reference to factors such as lease term from February 1, 2021 to January 31, 2023, the monthly depreciation amount is approximately HK\$0.1 million and HK\$1.1 million for the investment properties and right-of-use assets, respectively. In May 2022, the MOU was signed and it was agreed that the intended end date of Head-lease Agreements and Sub-lease Agreements would end on May 31, 2022, which is 8 months ahead of January 31, 2023. Accordingly, the shortened period of 8 months to multiply the monthly depreciation amount (HK\$0.1 million for investment property and HK\$1.1 million for right-of-use assets) would lead to the recognition of impairment losses of approximately HK\$1.0 million on investment properties and approximately HK\$8.9 million on right-of-use assets, respectively.

## **Impairment assessment of the finance lease receivables**

Regarding the impairment assessment of the finance lease receivables, the Group determined the Sub-lease Agreements had effectively been terminated at the date of the MOU, i.e. May 31, 2022. The Group considered that the recoverable amount of all those future lease payments to be received by the Group after May 31, 2022 up to January 2023 under the Sub-lease Agreements would be zero which is approximately HK\$8.6 million (i.e. approximately RMB7.2 million which is with reference to RMB0.9 million sub-lease rental per month multiplied by 8 months). Accordingly, an impairment loss of HK\$8.6 million was resulted.

The Group considered the result of the impairment assessment had been properly and timely reflected in the consolidated financial statements for FY2021 and in the 2021 Annual Report which was published on May 31, 2022.

The Board confirms that the above additional information is only intended to provide further supplemental information on the ROU Asset Impairment and Finance Lease Receivables Impairment for FY2021, and it does not affect other information contained in the 2021 Annual Report. All other information in the 2021 Annual Report shall remain unchanged.

For and on behalf of the Board

**IDT International Limited**

**Zhu Yongning**

*Executive Director and Chief Executive Officer*

Hong Kong, October 5, 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.