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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 30 JUNE 2023**

The board of directors (the “Board” or the “Directors”) 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 30 June 2023 (“1H2023”) together with the comparative figures for the corresponding period for the six months ended 30 June 2022 (“1H2022”).

FINANCIAL HIGHLIGHTS

- Revenue was nil (1H2022: approximately HK\$2.2 million).
- Gross profit was nil (1H2022: gross loss of approximately HK\$11.0 million).
- Total operating expenses amounted to approximately HK\$5.2 million (1H2022: approximately HK\$37.1 million).
- Loss for the period amounted to approximately HK\$6.8 million (1H2022: approximately HK\$49.9 million).
- The Board does not recommend dividend for 1H2023 (1H2022: nil).

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	4	–	2,218
Cost of goods sold		–	(13,185)
Gross loss		–	(10,967)
Other gains, net		168	170
Research expenses		(141)	(6,003)
Distribution and selling expenses		(65)	(1,928)
General administrative expenses		(4,967)	(29,205)
Finance costs		(1,802)	(1,955)
Loss before taxation	5	(6,807)	(49,888)
Taxation		–	–
Loss for the period		(6,807)	(49,888)
Other comprehensive (loss) gain:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(67)	11,897
Total comprehensive loss for the period		(6,874)	(37,991)
Loss for the period attributable to:			
– Owners of the Company		(6,807)	(49,888)
– Non-controlling interests		–	–
		(6,807)	(49,888)

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
Total comprehensive loss for the period attributable to:			
	– Owners of the Company	(6,874)	(37,991)
	– Non-controlling interests	–	–
		<u>–</u>	<u>–</u>
		<u>(6,874)</u>	<u>(37,991)</u>
Loss per share			
	Basic and diluted (<i>HK cents</i>)	<u>(0.26)</u>	<u>(1.92)</u>
		6	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		–	–
Goodwill		–	–
		<hr/>	<hr/>
		–	–
		<hr/>	<hr/>
Current assets			
Trade and other receivables	7	–	–
Restricted bank balances		–	2,863
Bank balances and cash		616	430
		<hr/>	<hr/>
		616	3,293
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	8	72,083	76,271
Borrowings		56,866	57,641
Tax payable		12,482	12,255
Loan from a shareholder		193,622	184,689
		<hr/>	<hr/>
		335,053	330,856
		<hr/>	<hr/>
Net current liabilities		(334,437)	(327,563)
		<hr/>	<hr/>
NET LIABILITIES		(334,437)	(327,563)
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	9	259,999	259,999
Reserves		(594,529)	(587,655)
		<hr/>	<hr/>
Equity attributable to owners of the Company		(334,530)	(327,656)
Non-controlling interests		93	93
		<hr/>	<hr/>
NET DEFICIT		(334,437)	(327,563)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company					Non- controlling interests	Total		
	Share capital	Share premium	Other reserve	Translation reserve	Accumulated losses			Sub-total	(Unaudited)
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>			(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
At 1 January 2023	259,999	165,043	32,466	(102,446)	(682,718)	(327,656)	93	(327,563)	
Loss for the period	-	-	-	-	(6,807)	(6,807)	-	(6,807)	
Other comprehensive loss									
<i>Item that may be reclassified subsequently to profit or loss:</i>									
Exchange differences arising on translation of foreign operations	-	-	-	(67)	-	(67)	-	(67)	
Total comprehensive loss for the period	-	-	-	(67)	(6,807)	(6,874)	-	(6,874)	
At 30 June 2023	259,999	165,043	32,466	(102,513)	(689,525)	(334,530)	93	(334,437)	
At 1 January 2022	259,999	165,043	32,466	(102,211)	(660,968)	(305,671)	93	(305,578)	
Loss for the period	-	-	-	-	(49,888)	(49,888)	-	(49,888)	
Other comprehensive gain									
<i>Item that may be reclassified subsequently to profit or loss:</i>									
Exchange differences arising on translation of foreign operations	-	-	-	11,897	-	11,897	-	11,897	
Total comprehensive loss for the period	-	-	-	11,897	(49,888)	(37,991)	-	(37,991)	
At 30 June 2022	259,999	165,043	32,466	(90,314)	(710,856)	(343,662)	93	(343,569)	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Net cash generated from (used in) operating activities	725	(30,573)
Net cash used in financing activities	<u>(539)</u>	<u>(16,264)</u>
Net increase (decrease) in cash and cash equivalents	186	(46,837)
Cash and cash equivalents at the beginning of the period	<u>430</u>	<u>49,484</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u><u>616</u></u>	<u><u>2,647</u></u>

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 1, 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 electronic products.

On 19 March 2024, the Company received a statutory demand (the “Statutory Demand”) dated 19 March 2024 from a creditor, demanding the Company to pay an amount of HK\$15,000,000 within 3 weeks from the date of service of the Statutory Demand, failing which the creditor may present a winding-up petition against the Company. The management of the Group had been working closely with professional advisors in formulating a restructuring plan to address the overall indebtedness of the Company.

On 27 May 2024, the Company has filed an ex parte originating summons with the High Court of the Hong Kong Special Administrative Region for the hearing on 13 September 2024 of an application by the Company for an order to convene meeting of the creditors of the Company to consider and, if thought fit, approve, with or without modification, a scheme of arrangement proposed by the Company, pursuant to section 670 of the Hong Kong Companies Ordinance (Cap. 622).

Up to the date of approval of the Interim Financial Statements (defined in note 2), the Company is still in negotiation with the creditors of the Company for the details and terms of the restructuring plan.

2. BASIS OF PRESENTATION

Basis of preparation

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 (the “Interim Financial Statements”) 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 the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the Group’s management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, HKAS and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2022 (the “2022 Annual Report”).

The Interim Financial Statements have been prepared on the historical cost basis which are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company. Effective from current period, all amounts have been rounded to the nearest thousand with comparative figures for prior period’s financial information were being restated to the nearest thousand. Such restatements have no material effect on the reported financial position, results and cash flows of the Group.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the 2022 Annual Report except for the adoption of the new/revised HKFRSs further described in the “Adoption of new/revised HKFRSs” section which are relevant to the Group and effective for the Group’s financial period beginning on 1 January 2023.

Going concern

In preparing the Interim 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\$334,437,000 at 30 June 2023, the Group’s total liabilities exceeded its total assets by approximately HK\$334,437,000 as of that date, and that the Group incurred a loss of approximately HK\$6,807,000 for the period then ended. As of 30 June 2023 and up to the date of approval of the Interim Financial Statements, the Group is subjected to a number of legal proceedings and the Group is yet to settle majority of those outstanding legal proceedings due to lack of sufficient funds. Furthermore, the Group’s bank balances and cash maintained at a low level of approximately HK\$616,000 as of 30 June 2023.

The above events and conditions indicate that the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern, and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of the above circumstances, the management of the Group has given careful consideration to the future liquidity and performance of the Group, the available sources of financing and have considered the Group’s cash flow projection that covered a period of not less than twelve months from 30 June 2023 and up to the date of the Interim Financial Statements to assess whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group’s financial position which include, but are not limited to the followings:

1. the Group has identified potential investor(s) 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. After the transfer of the loan from China Huaneng Foundation Construction Investment Limited (“Huaneng”) to Party A (as defined and disclosed in Note 11(b) to the condensed consolidated financial statement), Party A has undertaken that the repayment of the loan to the Group of approximately HK\$193,622,000 at 30 June 2023 will be restructured and any remaining outstanding amount as a result of the restructuring 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 is implementing measures to tighten cost controls over various operating expenses and to identify and secure new business opportunity 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;
5. the Group is negotiating with different creditors to restructure/reach a settlement plan for the existing liabilities;
6. the Group is actively exploring the availability of alternative source of financing including but not limited to seeking new investment and business opportunities to strengthen the capital bases of the Company; and

7. the Group is continuously expanding its product portfolio to meet new customer demands and enhance the Group's market competitiveness. In December 2023, the Group has launched its own online retail platform and established two online stores on foreign platforms.

Based on the latest information available, the directors of the Company are of the opinion that it is appropriate to prepare the Interim Financial Statements on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether the management of the Company will be able to implement the abovementioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to implement any liabilities restructuring plan, obtain adequate extra financing and/or generate sufficient cash flows from operation.

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 as current assets, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Interim Financial Statements.

3. ADOPTION OF NEW/REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, certain new/revised HKFRSs issued by HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Interim Financial Statements. The adoption of the new/revised HKFRSs has no significant impact on the Interim Financial Statements.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted new/revised HKFRSs that have been issued but are not yet effective. The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the financial position, financial performance and cash flows of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group principally engages in the design, development, manufacture, sales and marketing of various electronic products.

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 CODM, in order to allocate resources to the segments and to assess their performance.

The Group previously reported its revenue and results by four reportable operating segments: (1) Smart learning and immersive technology; (2) Connected home and communications; (3) Health and wellness; and (4) Others (mainly including other electronic products). Due to the resurgence of the COVID-19 pandemic in the People's Republic of China (the "PRC") and the suspension of operations of the PRC factory, the Group's CODM then assesses the performance of the Group's business and allocates the resource for its operations as a whole. Accordingly, no operating segment revenue and result are presented. Comparative information has been recast to conform to the current period's presentation.

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.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers are detailed below:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC (country of domicile)	–	2,218

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	%	%
Customer "A"	–	100

5. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of right-of-use assets	–	5,562
Depreciation of property, plant and equipment	–	1,453
Depreciation of investment properties	–	615
Exchange (gain) loss, net	(168)	16,733

6. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(6,807)</u>	<u>(49,888)</u>
	Six months ended 30 June	
	2023	2022
Number of ordinary shares:		
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 periods.

7. TRADE AND OTHER RECEIVABLES

	As at	At
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	33,219	33,219
Less: Loss allowance for ECL	<u>(33,219)</u>	<u>(33,219)</u>
	—	—
Other receivables	<u>—</u>	<u>—</u>
	—	—
Total trade and other receivables	<u>—</u>	<u>—</u>

The Group normally requests its customers to make advance payment, except for certain customers for which the credit terms are generally up to 45 days.

8. 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:

	As at 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Over 90 days	<u>21,808</u>	<u>25,105</u>
Trade payables	21,808	25,105
Other payables	<u>50,275</u>	<u>51,166</u>
Total trade and other payables	<u>72,083</u>	<u>76,271</u>

The trade payables are interest-free with normal credit terms up to 90 days.

9. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2022, 31 December 2022 and 30 June 2023	<u>20,000,000,000</u>	<u>2,000,000</u>
Ordinary shares of US\$0.10 each		
At 1 January 2022, 31 December 2022 and 30 June 2023	<u>10,000</u>	<u>8</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 January 2022, 31 December 2022 and 30 June 2023	<u>2,599,993,088</u>	<u>259,999</u>

10. CONTINGENT LIABILITIES/LITIGATIONS

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
At beginning of the reporting period	2,874	3,888
Amount reversed	—	(1,014)
	<u>2,874</u>	<u>2,874</u>
At end of the reporting period	<u>2,874</u>	<u>2,874</u>

- (a) In 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\$2,605,000). The management of the Group, having obtained 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 had recognised the provision for losses on litigations of approximately HK\$2,314,000 in profit or loss for the year ended 31 December 2020.

On 12 April 2022, the Group has filed a Consent Summons for settlement to the District Court of the Hong Kong Special Administrative Region. According to the Consent Summons, the settlement sum was reduced to approximately US\$130,000 (equivalent to approximately HK\$1,014,000). On 11 May 2022, the Consent Summons was approved. As a result, a reversal of provision for losses on litigations of approximately HK\$1,300,000 had been recognised in “Provision for losses on litigations, net” in “Other losses, net” in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

During the year ended 31 December 2022, the Group has fully settled the unpaid balanced of purchase orders.

- (b) In 2020, the Group received a notice from the District Court in the PRC (the “PRC District Court”) 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, approximately HK\$5,454,000 had been recognised in “Trade payables” at 30 June 2023 and 31 December 2022.

According to final judgements dated 8 August 2022 issued by the PRC District Court, the Group was liable to make payment of approximately RMB4,914,000 and approximately RMB111,000 (equivalent to approximately HK\$5,543,000 and approximately HK\$125,000) as settlement of subcontracting fees and material costs, respectively.

During the period ended 30 June 2023, the restricted bank balance of HK\$2,863,000 as at 31 December 2022 was utilised as settlement of above trade payables. The remaining subcontracting fees were still outstanding at 30 June 2023.

- (c) During the year ended 31 December 2021, the Group received several notices from the PRC District Court stating that a group of ten individuals former employees and three individuals former employees of the Group in the PRC has initiated legal action against subsidiaries of the Group in the PRC by claiming compensation of the dismissal of labour contract in view of breach of terms in employment agreement by the Group. Pursuant to the judgements made by the court of the PRC, the Group was ordered to make payment amounting to approximately HK\$2,874,000 which had been recognised in “Provision for losses on litigations, net” in “Other losses, net” in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. The Group has filed for appeals for such judgements to the PRC District Court.

According to the final judgement date 7 December 2021, the PRC District Court dismissed the appeals and affirmed the original judgement. The Group has been trying to reach a settlement agreement with them subsequent to the final judgement issued by the PRC District Court but yet to reach a settlement agreement subsequent to the 30 June 2023 and up to the date of approving the condensed consolidated financial statements.

Other than the disclosure of above and elsewhere in the condensed consolidated financial statements at 30 June 2023 and 31 December 2022, 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 30 June 2023 and 31 December 2022, 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.

11. EVENT AFTER THE END OF THE REPORTING PERIOD

(a) Resumption of operation

In December 2023, the Group has actively reestablished contacts and negotiations with potential customers and suppliers to restart the Group’s business. Following the completion of a sales order of approximately HK\$1,221,000 prior to 31 December 2023, the Group is able to re-gain confidence from the market and therefore, the Group’s operations are gradually resumed in the first quarter of 2024 and have resumed sales of electronic products under the trademark of “Oregon Scientific”.

In order to enhance market awareness of the “Oregon Scientific” brand, promote and to advertise and showcase its products, the Group established its own online retail platform (<http://oregonscientific.store>) and set up new online stores on Noon (an online platform headquartered in Dubai) and Mercado Libre (the largest online platform in Latin America) respectively. The aforementioned online stores have started operating progressively in the first half of 2024. Additionally, the Group is continuously expanding its product portfolio to meet new customer demands and enhance the Group’s market competitiveness.

The Company had secured confirmed orders exceeding HK\$70 million, which are expected to be fulfilled and delivered in the third quarter of 2024. For further details, please refer to the announcement of the Company dated 2 July 2024.

(b) Transfer of the loan of the Group

In January 2024, a shareholder loan transfer agreement was entered into by Huaneng and its controlling shareholder, the Company, certain subsidiaries of the Group and a third party (“Party A”), pursuant to which Party A has conditionally agreed to acquire from Huaneng and its controlling shareholder for the entire amount of the loan from a shareholder of the Group.

In February 2024, a loan transfer agreement was entered into by Party A, the Company and a third party (“Party B”), pursuant to which Party B has conditionally agreed to acquire from Party A for the amount of HK\$15,000,000 of the loan from Party A of the Group.

In April 2024, a loan transfer agreement was entered into by Party A, the Company and a third party (“Party C”), pursuant to which the Party C has conditionally agreed to acquire from Party A for the amount of HK\$10,000,000 of the loan from Party A of the Group.

In April 2024, a loan transfer agreement was entered into by Party A, the Company and a third party (“Party D”), pursuant to which the Party D has conditionally agreed to acquire from Party A for the amount of HK\$10,000,000 of the loan from Party A of the Group.

In April 2024, a loan transfer agreement was entered into by Party A, the Company and a third party (“Party E”), pursuant to which the Party E has conditionally agreed to acquire from Party A for the amount of HK\$5,000,000 of the loan from Party A of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Due to the effect of the COVID-19 pandemic, the Group decided to discontinue production at our Shenzhen factory with effect from 5 March 2022 and the tenancy of factory was terminated on 31 May 2022. The Group's operations had been substantially suspended following the close of the Shenzhen factory.

FINANCIAL RESULTS

The Group's total revenue for 1H2023 was nil (1H2022: approximately HK\$2.2 million), which was due to suspension of the Group's operation since March 2022. Gross profit of 1H2023 was nil (1H2022: gross loss of approximately HK\$11.0 million).

Total operating expenses of the Group, including research expenses, distribution and selling expenses and general administrative expenses, amounted to approximately HK\$5.2 million for 1H2023 (1H2022: approximately HK\$37.1 million). The total operating expenses decreased by approximately 86.0% since the research cost and distribution and selling expenses have dropped for approximately 98.3% and 94.7%, respectively. Further, general administrative expense reduced by approximately 82.9% as the Group is in the progress of its downsizing process.

Loss for 1H2023 decreased by approximately 86.4% to approximately HK\$6.8 million (1H2022: approximately HK\$49.9 million), which was due to the decrease in both operating expenses and gross loss.

PROSPECTS

In December 2023, the Group has actively reestablished contacts and negotiations with potential customers and suppliers to recommence the Group's business. The Group's operations gradually resumed in the first quarter of 2024 and have resumed sales of electronic products under the trademark of "Oregon Scientific".

In order to enhance market awareness of the "Oregon Scientific" brand, promote and to advertise and showcase its products, the Group established its own online retail platform (<http://oregonscientific.store>) and set up new online stores on Noon (an online platform headquartered in Dubai) and Mercado Libre (the largest online platform in Latin America) respectively. The aforementioned online stores have started operating progressively in the first half of 2024. Additionally, the Group is continuously expanding its product portfolio to meet new customer demands and enhance the Group's market competitiveness.

With the society and economy returning to normalcy and the diminishing effects of the trade war, the market situation should significantly improve thereafter. Through the Group's efforts in the first half of 2024, the Group's business has gradually recovered and continues to receive new orders from customers. The Company had secured confirmed orders exceeding HK\$70 million, which are expected to be fulfilled and delivered in the third quarter of 2024. The Group's business should remain sustainable in the long run.

For more details, please refer to the announcements of the Company dated 3 January 2024, 10 May 2024 and 2 July 2024.

WORKING CAPITAL

The inventory balance as at 30 June 2023 was nil (the year ended 31 December 2022 ("FY2022"): nil) as the operation of the Group was suspended in March 2022. The inventory turnover days increased to 0 days (FY2022: 183 days). Trade receivables balances as at 30 June 2023 was nil (FY2022: nil). Trade receivables turnover days increased to 0 days (FY2022: 58 days).

LIQUIDITY AND TREASURY MANAGEMENT

As at 30 June 2023, bank balances and cash of the Group, including restricted bank balances, amounted to approximately HK\$0.6 million (FY2022: approximately HK\$3.3 million). During 1H2023, the cash were mainly used in operating activities and financing activities.

The Group recorded net current liabilities of approximately HK\$334.4 million (FY2022: approximately HK\$327.6 million), approximately HK\$6.8 million higher than that of FY2022, which is mainly due to decrease in current assets.

As at 30 June 2023, the total outstanding amount of borrowing was approximately HK\$56.9 million (FY2022: approximately HK\$57.6 million), all of which (FY2022: approximately HK\$57.6 million) are repayable on demand. As at 30 June 2023, the outstanding amount of the loan from a shareholder was approximately HK\$193.6 million (FY 2022: approximately HK\$184.7 million).

As at 30 June 2023, subcontracting fees of approximately HK\$2.8 million and salary and compensations of approximately HK\$2.9 million are due and unpaid. The Board is still in negotiation with related creditors for a settlement plan.

CAPITAL STRUCTURE

As at 31 December 2022, there was 2,599,993,088 issued and fully paid shares with par value of HK\$0.1 each. The net liabilities value per share as at 30 June 2023 was approximately HK12.9 cents loss per share (FY2022: approximately HK12.6 cents loss per share).

The Group actively and regularly reviews and manages its capital structure to enhance its financial strength for the Group's long-term development. There were no changes in the Group's approach to capital management during the six months ended 30 June 2023.

GEARING RATIO

As at 30 June 2023, the Group's total assets amounted to approximately HK\$0.6 million (FY2022: approximately HK\$3.3 million). Total liabilities amounted to approximately HK\$335.1 million (FY2022: approximately HK\$330.9 million), the Group expresses its gearing ratio as a percentage of borrowings, including loan from a shareholder, over total assets which was approximately 41,750.0% (FY2022: approximately 7,342.4%). The significant decrease in the total assets resulted in the increase in the gearing ratio.

CHARGES ON GROUP ASSETS

As at 30 June 2023, there were no finance charges on the Group's assets.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2023, the Group did not make any significant investments, acquisitions or disposals that was required to be disclosed under the Listing Rules on the Stock Exchange.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any future plans for material investments or capital assets.

DIVIDEND

The Directors do not recommend any dividend for 1H2023 (1H2022: Nil).

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 (i.e. the new Appendix C3 with effect from 31 December 2023), 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 six months ended 30 June 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to achieving and maintaining a high standard of corporate governance to safeguard the interests of all shareholders and to enhance corporate value and accountability. Throughout the six months ended 30 June 2023 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 Listing Rules on the Stock Exchange (i.e. the new Appendix C1 with effect from 31 December 2023), save for the deviation from the Code Provision C.2.1 and C.1.8.

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and not be performed by the same individual. After the retirement of Mr. Xu Chiming, the then chairman, on 26 June 2019, Mr. Zhu Yongning, the then CEO of the Company, took up the responsibilities of both the chairman and CEO of the Company. The Board had been trying to recruit a suitable candidate such that the two roles can be separated since then. Mr. Zhu had assumed the two roles until Mr. Zhu resigned as an executive director of the Company with effect from 1 February 2024.

Pursuant to code provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. During 1H2023, no such insurance cover has been arranged for the Directors due to the insurance company refusing to provide service within the Company’s budget. The management of the Group believe that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual lawsuits against the Directors is remote. The Company will consider making insurance arrangement when a quote within the Company’s budget is available. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 50 (1H2022: 100) staff, primarily in the PRC. 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.

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 one independent non-executive Director, namely Mr. Xu Jinwen.

The unaudited financial results of the Group for 1H2023 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be posted on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.idthk.com>). The interim report of the Company for the six months ended 30 June 2023 will be despatched to the shareholders of the Company and available on the same websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023 and will remain suspended pending fulfilment of the resumption guidance imposed by the Stock Exchange on the Company as disclosed in the announcements of the Company dated 19 May 2023 and 7 February 2024.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
IDT International Limited
Cheung Yuk Ki
Director

Hong Kong, 9 August 2024

As at the date of this announcement,

1. The executive director of the Company is Ms. Cheung Yuk Ki;
2. The non-executive directors of the Company are Mr. Cui Xiao, Ms. Ng Kwok Ying Isabella and Mr. Tiger Charles Chen; and
3. The independent non-executive director of the Company is Mr. Xu Jinwen.