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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, 2022

FINANCIAL HIGHLIGHTS

- Turnover amounted to HK\$2.2 million for the six months ended June 30, 2022 (“1H2022” or the “Period”) (for the six months ended June 30, 2021 (“1H2021”): HK\$12.2 million).
- Gross loss amounted to HK\$11.0 million for 1H2022 (1H2021: gross profit of HK\$0.1 million).
- Total operating expenses amounted to HK\$37.1 million for 1H2022 (1H2021: HK\$33.4 million).
- Loss for the Period amounted to HK\$49.9 million (1H2021: HK\$35.6 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, 2022 together with the comparative figures for the corresponding period ended June 30, 2021 (“1H2021”).

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022

		Six months ended June 30,	
		2022	2021
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'M	HK\$'M
Turnover	5	2.2	12.2
Cost of goods sold		<u>(13.2)</u>	<u>(12.1)</u>
Gross (loss)/profit		(11.0)	0.1
Other gains and losses, net		0.2	(0.2)
Research and development costs		(6.0)	(6.8)
Distribution and selling expenses		(1.9)	(3.4)
General administrative costs		(29.2)	(23.2)
Finance costs		<u>(2.0)</u>	<u>(2.1)</u>
Loss before taxation	6	(49.9)	(35.6)
Taxation	7	<u>–</u>	<u>–</u>
Loss for the period		<u>(49.9)</u>	<u>(35.6)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>11.9</u>	<u>1.9</u>
Total other comprehensive income		<u>11.9</u>	<u>1.9</u>
Loss and total comprehensive expenses for the period		<u>(38.0)</u>	<u>(33.7)</u>
Loss for the period attributable to:			
Owners of the Company		(49.9)	(35.6)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(49.9)</u>	<u>(35.6)</u>
Loss and total comprehensive expenses for the period attributable to:			
Owners of the Company		(38.0)	(33.7)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(38.0)</u>	<u>(33.7)</u>
Loss per share attributable to owners of the Company			
Basic (<i>HK cents</i>)	8	<u>(1.92)</u>	<u>(1.37)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

	<i>Notes</i>	As at June 30, 2022 (Unaudited) <i>HK\$'M</i>	As at December 31, 2021 (Audited) <i>HK\$'M</i>
Non-current assets			
Property, plant and equipment		–	1.5
Investment properties		–	0.6
Right-of-use assets		–	5.6
Goodwill		–	–
Rental deposits		3.4	3.4
		<hr/>	<hr/>
		3.4	11.1
Current assets			
Inventories		5.2	5.2
Trade and other receivables	9	5.9	6.9
Finance lease receivables		2.1	5.2
Restricted bank balances		3.5	3.4
Cash and cash equivalents		2.6	49.5
		<hr/>	<hr/>
		19.3	70.2
Current liabilities			
Trade and other payables	10	65.3	61.8
Borrowings		9.3	9.3
Lease liabilities		20.2	27.1
Tax payable		10.9	12.0
Contract liabilities		7.5	8.7
Loan from a shareholder		187.4	203.7
		<hr/>	<hr/>
		300.6	322.6
Net current liabilities		<hr/> (281.3) <hr/>	<hr/> (252.4) <hr/>
Total assets less current liabilities		<hr/> (277.9) <hr/>	<hr/> (241.3) <hr/>

		As at June 30, 2022 (Unaudited) HK\$'M	As at December 31, 2021 (Audited) HK\$'M
Non-current liabilities			
Lease liabilities		15.6	15.6
Borrowings		50.1	48.7
		<u>65.7</u>	<u>64.3</u>
Net liabilities		<u>(343.6)</u>	<u>(305.6)</u>
Capital and reserves			
Share capital	11	260.0	260.0
Reserves		(603.7)	(565.7)
Equity attributable to owners of the Company		(343.7)	(305.7)
Non-controlling interests		0.1	0.1
Net deficits		<u>(343.6)</u>	<u>(305.6)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

	Attributable to owners of the Company					Sub-total (Unaudited) HK\$'M	Non- controlling interests (Unaudited) HK\$'M	Net deficits (Unaudited) HK\$'M
	Share capital (Unaudited) HK\$'M	Share premium (Unaudited) HK\$'M	Other reserve (Unaudited) HK\$'M	Translation reserve (Unaudited) HK\$'M	Accumulated losses (Unaudited) HK\$'M			
As at January 1, 2022	260.0	165.0	32.5	(102.3)	(660.9)	(305.7)	0.1	(305.6)
Exchange differences arising from translation of foreign operations	-	-	-	11.9	-	11.9	-	11.9
Loss for the period	-	-	-	-	(49.9)	(49.9)	-	(49.9)
Total comprehensive expenses for the period	-	-	-	11.9	(49.9)	(38.0)	-	(38.0)
As at June 30, 2022	<u>260.0</u>	<u>165.0</u>	<u>32.5</u>	<u>(90.4)</u>	<u>(710.8)</u>	<u>(343.7)</u>	<u>0.1</u>	<u>(343.6)</u>
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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022 (Unaudited) <i>HK\$'M</i>	2021 (Unaudited) <i>HK\$'M</i>
Net cash used in operating activities	(30.6)	(36.1)
Net cash used in investing activities	–	–
Net cash used in financing activities	<u>(16.3)</u>	<u>30.1</u>
Net decrease in cash and cash equivalents	(46.9)	(6.0)
Cash and cash equivalents at the beginning of the period	<u>49.5</u>	<u>13.1</u>
Cash and cash equivalents at the end of the period	<u><u>2.6</u></u>	<u><u>7.1</u></u>
Cash and cash equivalents		
Cash and bank balances	<u><u>2.6</u></u>	<u><u>7.1</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 E, 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, 2022 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” 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 unaudited condensed consolidated interim financial information are consistent with those used in the financial statements for the year ended December 31, 2021, except as mentioned below.

Going concern

In preparing these unaudited condensed 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\$281.3 million as at June 30, 2022, the Group’s total liabilities exceeded its total assets by approximately HK\$343.6 million as of that date, and that the Group incurred a loss of approximately HK\$49.9 million for the first half of 2022.

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 these unaudited condensed 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, have committed and proved their ability to provide continuous financial support to the Group as 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\$187.4 million as at June 30, 2022 will not be requested within twelve months from the date of approval of these unaudited condensed 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;
5. the Group is actively exploring the availability of alternative source of financing; and
6. the Group is actively working on production resumption.

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, 2022, the Group has consistently applied all the 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 unaudited condensed consolidated interim financial information are made 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 recognised based on the distribution of products to different customer groups. The reportable and operating segments include Connected Home and Communications (“CoH”), Health and Wellness (“H&W”) and 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 smart learning and immersive technology 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>
For the six months ended June 30, 2022					
Segment revenue					
Branded Sales	-	2.2	-	-	2.2
OEM/ODM Sales	-	-	-	-	-
Total segment revenue	<u>-</u>	<u>2.2</u>	<u>-</u>	<u>-</u>	<u>2.2</u>
Segment profit/(loss)	<u>-</u>	<u>0.7</u>	<u>-</u>	<u>(11.7)</u>	<u>(11.0)</u>
Other gain or losses					0.2
Unallocated expenses					(37.1)
Finance costs					(2.0)
Loss before taxation					<u>(49.9)</u>
For the six months ended June 30, 2021					
Segment revenue					
Branded Sales	4.1	4.0	0.1	-	8.2
OEM/ODM Sales	-	-	0.8	3.2	4.0
Total segment revenue	<u>4.1</u>	<u>4.0</u>	<u>0.9</u>	<u>3.2</u>	<u>12.2</u>
Segment profit/(loss)	<u>1.5</u>	<u>1.3</u>	<u>(0.6)</u>	<u>(2.1)</u>	<u>0.1</u>
Other gain or losses					(0.2)
Unallocated expenses					(33.4)
Finance costs					(2.1)
Loss before taxation					<u>(35.6)</u>

Segment revenue reported above represents revenue generated from the sales to 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 for interest income, unallocated expenses (such as administrative cost of the headquarters) and finance costs. This is the measure reported to the CODM of the Group, 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,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'M</i>	<i>HK\$'M</i>
Depreciation of property, plant and equipment	1.5	2.9
Depreciation of investment properties	0.6	0.7
Amortisation of right-of-use assets	5.6	7.4
Net exchange losses	(16.7)	(5.1)
	<u> </u>	<u> </u>

7. TAXATION

The tax charge comprises:

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'M</i>	<i>HK\$'M</i>
Taxation of the Company and its subsidiaries:		
Hong Kong profits tax	–	–
Taxation in other jurisdictions	–	–
	<u> </u>	<u> </u>
	<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,	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'M	HK\$'M
Loss for the period attributable to owners of the Company for the purposes of calculating basic loss per share	(49.9)	(35.6)
	Six months ended June 30,	
	2022	2021
Number of ordinary shares for the purposes of calculating basic loss per share	2,599,993,088	2,599,993,088

No diluted loss per share are presented as there were no dilutive potential 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 end of the reporting period:

	As at June 30, 2022 (Unaudited) HK\$'M	As at December 31, 2021 (Audited) HK\$'M
0 to 30 days	–	0.3
31 to 90 days	–	–
Over 90 days	1.0	0.4
Trade receivables	1.0	0.7
Other receivables	4.9	6.2
	5.9	6.9

The Group normally allows credit period of 30 to 60 days to its trade customers. Customers with a long business relationship with the Group 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:

	As at June 30, 2022 (Unaudited) HK\$'M	As at December 31, 2021 (Audited) HK\$'M
0 to 30 days	–	3.1
31 to 90 days	–	0.2
Over 90 days	<u>27.7</u>	<u>23.7</u>
Trade payables	<u>27.7</u>	27.0
Other payables	<u>37.6</u>	<u>34.8</u>
	<u>65.3</u>	<u>61.8</u>

11. SHARE CAPITAL

	Number of shares	Amount HK\$'M
Authorised:		
At December 31, 2021 and June 30, 2022 – ordinary shares of HK\$0.10 each	<u>20,000,000,000</u>	<u>2,000.0</u>
At December 31, 2021 and June 30, 2022 – ordinary shares of US\$0.10 each	<u>10,000</u>	<u>–</u>
Issued and fully paid:		
At December 31, 2021 and June 30, 2022 – ordinary shares of HK\$0.10 each	<u>2,599,993,088</u>	<u>260.0</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's total revenue for 1H2022 amounted to HK\$2.2 million (1H2021: HK\$12.2 million), representing a decrease of approximately 82.0% as compared with the total revenue of 1H2021.

Gross loss amounted to HK\$11.0 million for 1H2022 (1H2021: gross profit of HK\$0.1 million). Gross loss was reported in 1H2022 as we received relatively fewer sales orders while the fixed production overhead remained stable.

The Group's total operating expenses for 1H2022, including research and development costs, distribution and selling expenses, and general administrative expenses, amounted to HK\$37.1 million (1H2021: HK\$33.4 million). For 1H2022, the Company completed its downsizing process, resulting in one-off administrative expenses of approximately HK\$6.3 million.

During 1H2022, the other gain and losses (net) were HK\$0.2 million (1H2021: losses of HK\$0.2 million).

Losses for 1H2022 was HK\$49.9 million (1H2021: losses of HK\$35.6 million).

BUSINESS REVIEW

Due to the resurgence of the COVID-19 pandemic in China in 1H2022, lockdown measures were implemented in Shenzhen, Shanghai and other cities, imposing lockdowns and travel restrictions in various areas. The COVID-19 pandemic has had an adverse impact on the Group's logistics and supply chain and the oversea business expansion by the sales team.

In response to the government's appeal and to minimize incurring non-operating costs, the Group decided to temporarily discontinue production at the Shenzhen factory in March 2022. The Group is actively working on production resumption.

Oregon Scientific ("OS")

For 1H2022, the OS business recorded total sales revenue of HK\$2.2 million (1H2021: HK\$8.2 million), representing 100% of the Group's total sales revenue, down by 73.2% over last year. Such decrease was mainly due to the impact of the COVID-19 pandemic.

Due to the significant decrease in overseas orders and the suspension of the manufacturing plant in Shenzhen, revenue from sales under the OS brand declined significantly. The management of the Company has been actively exploring domestic sales channels for the OS brand and carrying out research and development and cooperation on new products under the OS brand during the Period.

During the Period, the Company has also been exploring further expansion of existing online sales channel for the OS brand, contacting and negotiating with partners who engage e-commerce business at home and abroad, with the aim of stepping up the expansion of online sales channels by cooperation.

During the Period, the Company has received inquiries from a number of new and existing customers about its timers and weather forecast electronic products. It is believed that the Company is able to secure new overseas orders upon full recovery of production.

VMS

Due to the increase in production costs (such as labor costs, raw material procurement costs and logistics costs) incurred in the PRC factory of the Company resulting from various lockdown and prevention measures against the pandemic, the Group decided to temporarily discontinue production at the Shenzhen factory in March 2022, during which the VMS business was also temporarily discontinued.

During the production suspension period, the management of the Company has completed its downsizing process across various departments, further reducing the operational costs of the Company.

OUTLOOK

With approximately 60 kinds of products available under the OS brand, the Group's OS brand enjoys good brand awareness in overseas markets. In recent two years, the Group's distribution channels were affected by the COVID-19 outbreak, which also dealt a heavy blow to the established overseas sales teams and channels of the Group. The Group's management is actively pursuing a strategic repositioning of the Company, aiming at facilitating sales in the PRC market through both offline and online sales channels by capitalising on the brand awareness of the OS brand.

As for the domestic sales channels, the Company's management is seeking cooperation with customers with established sales channels in the PRC for the purpose of joint sales of the OS brand in the PRC. Discussions are also underway with relevant product owners to develop new brand export business through licensing of the OS brand.

As for overseas customers, the Company has maintained contact with its existing customers. In particular, the Company has built very positive word-of-mouth for its timers and weather forecast electronic products in overseas markets. It is believed that the Company is able to secure new overseas orders upon full recovery of production.

WORKING CAPITAL

Inventory amount as at June 30, 2022 was HK\$5.2 million, which remained the same as HK\$5.2 million as at December 31, 2021.

Trade receivable as at June 30, 2022 was HK\$1.0 million, representing an increase of approximately 42.9% as compared to HK\$0.7 million as at December 31, 2021.

LIQUIDITY AND TREASURY MANAGEMENT

As at June 30, 2022, the bank balances and cash of the Group, including restricted bank balances, were HK\$6.1 million (December 31, 2021: HK\$52.9 million).

During 1H2022, 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, 2022, there were no charges on the Group's assets.

CAPITAL EXPENDITURE

There was no capital expenditure on property, plant and equipment for 1H2022 (1H2021: Nil).

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE, AND MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group did not have any significant investments held.

There were no material acquisitions or disposals of associated companies in the course of 1H2022.

There is currently no future plan for any material investments or acquisition or disposal of capital assets.

DIVIDEND

The Board does not recommend the payment of any dividend for 1H2022 (1H2021: Nil).

CONTINGENT LIABILITIES

As disclosed in the annual report of the Company for the year ended December 31, 2021 (“FY2021”):

- (a) In 2020, the Group received a notice from a district court in the PRC (the “PRC 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. The aforesaid due and unpaid balance of subcontracting fees amounting to approximately HK\$5.5 million had been recognised in “Trade payables” at December 31, 2021 and 2020.

According to the judgement dated August 16, 2021 issued by the PRC Court, the Group was liable to make payment of approximately RMB4.9 million and approximately RMB0.1 million (equivalent to approximately HK\$6.0 million and approximately HK\$0.1 million) as settlement of subcontracting fees and material costs, respectively. The Group has then filed an appeal for such judgements to the PRC Court.

According to the final judgement dated August 8, 2022 issued by an intermediate court in the PRC, the Group was liable to make total payment of approximately RMB0.29 million (equivalent to approximately HK\$0.33 million).

- (b) As advised in the notice received by the Group from the local court in the PRC at the beginning of 2022, the owner of a factory of the Group in the PRC initiated legal action against several subsidiaries of the Group in the PRC by claiming the allegedly due and unpaid balance of rental fees from the Group. The aforesaid due and unpaid balance of rental fees amounted to approximately RMB18 million (equivalent to approximately HK\$20.4 million), including rental fees, occupancy fees, liquidated damages, litigation fees, preservation fees, and attorney fees.

In accordance with the judgement dated June 29, 2022 issued by the PRC Court, the Group was liable to make payment of approximately RMB11 million (equivalent to approximately HK\$12.4 million) as occupancy fees. Both parties involved had filed petition against such judgement to the court in the PRC, pending a second hearing.

- (c) During the six months ended June 30, 2022, the Group received several notices from the PRC Court stating that two separate groups of ten individual former employees and three individual former employees of the Group of the PRC have 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 with the Group. Pursuant to the judgements made by the court of the PRC, the Group was ordered to make payment amounting to approximately HK\$2.8 million.

After the Group has filed for appeals to the PRC Court, according to the final judgment made by the court of the PRC, for the case against the group of ten individuals former employees, which payment to them was approximately RMB 1.8 million (equivalent to approximately HK\$2.3 million); As for the remaining cases of three individuals former employees, the total payments to them were approximately RMB 0.45 million (equivalent to approximately HK\$0.51 million), which have been recognised in “Other Payables” in the consolidated statement of profit or loss and other comprehensive income for the year ended June 30, 2022.

Save as disclosed above and elsewhere in the consolidated financial statements as set out in the annual report for FY2021, the Group was not involved in any other material litigation or arbitration as at June 30, 2022.

HUMAN RESOURCES AND REMUNERATION POLICY

As at June 30, 2022, the Group had approximately 100 employees (June 30, 2021: approximately 378 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 standards 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 had complied with the required standards set out in both the Model Code and the Code throughout 1H2022.

CORPORATE GOVERNANCE

During 1H2022, save for the deviation from code provision C.2.1, code provision D.1.3 and code provision C.1.8 of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules, the Company has applied and complied with all of the principles and code provisions of the CG Code.

According to the code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive (the “CE”) 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 CE 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 D.1.3 of the CG Code, where the directors are aware of material uncertainties relating to events or conditions that may cause material impacts on the issuer’s ability to continue as a going concern, such uncertainties 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 December 31, 2021, and there was no such discussion included in the corporate governance report of the Company for the year ended December 31, 2021, as the directors noticed that relevant detailed discussion had already been included in the directors’ report for the year ended December 31, 2021.

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 of the Company. During 1H2022, no such insurance cover has been arranged for the directors of the Company due to the insurance company refusing to provide service within the Company’s budget.

Pursuant to code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors of the Company should attend general meetings of the Company. However, Mr. Zhou Melin and Mr. Xu Jinwen, the independent non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on June 29, 2022 due to conflict with other work commitment.

AUDIT COMMITTEE

The Company has 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 1H2022 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 Period.

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

Hong Kong, August 31, 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.

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