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## **IDT INTERNATIONAL LIMITED**

**萬威國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE CONSIGNMENT AGREEMENTS**

#### **CONSIGNMENT AGREEMENTS**

The Board is pleased to announce that, on 9 June 2017, Oregon Shanghai, an indirect wholly-owned subsidiary of the Company, as the consignor entered into (i) the Funtalk Consignment Agreement with Funtalk as the consignee to merchandise the Products through the sales and marketing network of Funtalk in the PRC; and (ii) the supplemental agreements of the HISAP Consignment Agreement and the Meici Consignment Agreement to amend and supplement the consignment arrangement thereunder.

As at the date of this announcement, Oregon Shanghai as the consignor had entered into the HISAP Consignment Agreement with HISAP and the Meici Consignment Agreement with Meici, each as the consignee, to merchandise the Products through the sales and marketing network of HISAP and Meici in the PRC.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, as Jiangsu Hongtu (being a controlling shareholder of the Company) is accounted for and consolidated in the audited consolidated accounts of Sanpower Group, Sanpower Group is a connected person of the Company for the purpose of the Listing Rules. Each of HISAP, Meici and Funtalk is controlled by Sanpower Group, and thus each of HISAP, Meici and Funtalk is a connected person of the Company. Accordingly, the transactions contemplated under the Consignment Agreements constitute continuing connected transactions of the Company under the Listing Rules.

From 1 January 2017 to the date of this announcement, the total transaction amount under the Consignment Agreements (other than the Funtalk Consignment Agreement) is less than HK\$3,000,000.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Annual Caps under the Consignment Agreements are less than 5%, the Consignment Agreements are subject to the reporting and announcement requirements but are exempt from circular (including independent financial advice) and Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

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Major terms of the Consignment Agreements are set out below:

	<b>HISAP Consignment Agreement</b>	<b>Meici Consignment Agreement</b>	<b>Funtalk Consignment Agreement</b>
<b>Date of agreement</b>	20 April 2017  (as amended and supplemented by a supplemental agreement dated 9 June 2017)	20 April 2017  (as amended and supplemented by a supplemental agreement dated 9 June 2017)	9 June 2017
<b>Parties</b>	(1) Oregon Shanghai as consignor; and  (2) HISAP as consignee.	(1) Oregon Shanghai as consignor; and  (2) Meici as consignee.	(1) Oregon Shanghai as consignor; and  (2) Funtalk as consignee.
<b>Nature of transactions</b>	The consignor shall designate the consignee as its authorised consignee to merchandise the Products, which will be supplied by the consignor, and would then be sold to retail customers via the sales and marketing network of the consignee.		

**Commission** The consignee shall be entitled to a commission of the retail price of the Products actually sold by the consignee.

Each of HISAP and Funtalk shall reconcile the sales amount with Oregon Shanghai for each month on the first working day following such month and HISAP and Funtalk shall pay the revenue of the Products net of commission and/or promoter fee (as the case may be) to Oregon Shanghai within fifteen working days after issue of invoice by Oregon Shanghai.

The revenue from the sale of the Products and the commission shall be settled on a biweekly basis between Oregon Shanghai and Meici. Meici shall pay the revenue of the Products net of commission within 30 days after accounts reconciliation between Oregon Shanghai and Meici.

<b>Commission rate</b>	40%	20%	40%
<b>Promoter fee</b>	5%	Nil	Nil
<b>Term</b>	From 20 April 2017 to 31 December 2019	From 20 April 2017 to 31 December 2019	From 9 June 2017 to 31 December 2019

### **Pricing, commission and promoter fee**

Pursuant to the Consignment Agreements, Oregon Shanghai shall have absolute discretion in deciding the retail price of the Products, which shall be no less favourable to Oregon Shanghai than those offered to independent customers.

The rates of commission and promoter fee payable to the consignees under the Consignment Agreements are comparable to those offered to unrelated third parties of the Group. The commission payable to Meici under the Meici Consignment Agreement of 20% of the retail price of the Products procured to be sold by Meici was arrived at after taking into account that the Products would be sold via the online channel, where Meici will procure the Products to be delivered by Oregon Shanghai to ultimate customers directly, as compared to the consignment arrangement with HISAP and Funtalk, where Products are delivered by Oregon Shanghai to the consignees for onward sale in their stores to ultimate customers. Where HISAP shall provide promoters for the purpose of marketing the Products, a promoter fee of 5% of the retail price of the Products actually sold by HISAP will be charged.

The commission and promoter fee payable to the consignees as contemplated under the Consignment Agreements will be supervised and monitored by the finance department of the Group and the management of the Group dedicated with the responsibility of supervising the continuing connected transactions charges of the Group to ensure that the relevant continuing connected transactions as contemplated under the Consignment Agreements are conducted on normal commercial terms and will not be prejudicial to the interests of the Company and the Shareholders as a whole. Pursuant to the Consignment Agreements, Oregon Shanghai and/or its auditors shall have access and inspection right to the books and records of the consignees for the purpose of assessing the transaction amounts. The finance department and the management of the Group will conduct regular checks on a monthly basis

to review and assess whether the transactions contemplated under the Consignment Agreements are conducted in accordance with the terms thereof and consider if the commission and promoter fee charged is fair and reasonable and in accordance with the Consignment Agreements.

The independent non-executive Directors will review the continuing connected transactions (including but not limited to the transactions contemplated under the Consignment Agreements) and the auditors of the Company will also conduct an annual review on the commission and promoter fee charged and the annual caps thereof. Accordingly, the Directors consider that the internal control system of the Group is effective to ensure that the transactions contemplated under the Consignment Agreements have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

### **Annual Caps**

Based on the terms of the Consignment Agreements, the Annual Caps of the transaction contemplated under the Consignment Agreements for each of the three financial years ending 31 December 2019 are approximately HK\$4,128,000, HK\$4,926,000 and HK\$6,533,000 respectively.

There was no consignment transaction between the Group and the Sanpower Group Companies during the three years ended 31 December 2016.

In arriving at the Annual Caps, the Directors have taken into account various factors including (i) the estimated sales volume of the Products through the sales channels (including the online sales platform and wide spread retail points) of the Sanpower Group Companies brought by the consignment arrangement under the Consignment Agreements and the estimated growth thereof; (ii) the potential increase in the Group's product portfolio and number shops of Sanpower Group Companies; and (iii) the rate of commission and promoter fee payable to the Sanpower Group Companies pursuant to the Consignment Agreements. In view of the above, the Directors (including the independent non-executive Directors) considered that the Annual Caps for the Consignment Agreements are justifiable and the basis in determining the Annual Caps for the Consignment Agreements is fair and reasonable and in the interests of the Shareholders as a whole.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Directors, including the independent non-executive Directors, consider the terms of the Consignment Agreements had been negotiated and arrived at on an arms-length basis and in the ordinary and usual course of business of the Group and on normal commercial terms. In addition, the Directors also consider that the Consignment Agreements provide a framework to allow the Group to sell the Products via the well-established sales channel of the Sanpower Group Companies, which represent an opportunity to the Group to further expand its business and increase sales. Accordingly, the Directors, including the independent non-executive Directors, consider the terms of the Consignment Agreements (including the commission, the promoter fee and the Annual Caps) are fair and reasonable and in the interests of the Shareholders as a whole.

As at the date of this announcement, (i) Mr. Foo Piau Phang, the executive Director, Chairman and Chief Executive Officer of the Company, is the Senior Vice President of Sanpower Group; (ii) Mr. Xin Kexia, a non-executive Director, is the President and a director of Jiangsu Hongtu and the Chairman and the President of HISAP; (iii) Mr. Song Rongrong, a non-executive Director, is the Chief Financial Officer of Jiangsu Hongtu and the Vice President of HISAP; (iv) Mr. Qi Miao, a non-executive Director, is the Senior Director of Sanpower Group; (v) Mr. Shi Changyun, a non-executive Director, is the Vice President of Sanpower Group and a director of Jiangsu Hongtu; and (vi) Mr. Jing Tian, a non-executive Director, is the Executive Vice President of Sanpower Group. As such, the executive Director and all non-executive Directors were required to abstain from voting on the relevant Board resolutions approving the Consignment Agreements. Save as disclosed above, none of the Directors has a material interest in the Consignment Agreements, and no other Director was required to abstain from voting on the relevant Board resolutions approving the Consignment Agreements.

## **INFORMATION OF THE GROUP AND THE SANPOWER GROUP COMPANIES**

The Company is an investment holding company with subsidiaries engaged in the design, development, manufacture, sales and marketing of various consumer electronic products. The principal activities of Oregon Shanghai are marketing and distribution of consumer electronic products.

Information and principal activities of each member of the Sanpower Group Companies are set out below:

- (i) HISAP: mainly focuses on the distribution of 3C communication product and service, with over 450 shops in the PRC covering more than 200 cities and sales amount having achieved RMB17.5 billion in 2016 based on Jiangsu Hongtu's annual report for the year ended 31 December 2016;
- (ii) Meici: founded in 2008, Meici is the top fashionable E-commerce website in the PRC to distribute fashion goods to high end consumers; and
- (iii) Funtalk: the top communication products retailer in the PRC, with over 2000 shops covering 26 provinces.

## **LISTING RULES IMPLICATIONS**

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## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Annual Caps”	collectively, the maximum aggregate annual value for the continuing transactions under the Consignment Agreements
“Board”	the board of Directors
“Company”	IDT International Limited (萬威國際有限公司*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 167)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consignment Agreements”	collectively, the HISAP Consignment Agreement, the Meici Consignment Agreement and the Funtalk Consignment Agreement
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Funtalk”	北京樂語通訊連鎖瀋陽採購中心有限公司(Beijing Funtalk Communication Chain Shuyang Procurement Centre Ltd.*), a company established in the PRC and controlled by Sanpower Group
“Funtalk Consignment Agreement”	the product consignment agreement and the related supplemental agreement dated 9 June 2017 entered into between Oregon Shanghai as consignor and Funtalk as consignee in respect of the consignment of the Products
“Group”	the Company and its subsidiaries
“HISAP”	宏圖三胞高科技術有限公司(High Tech Sanpower Co. Ltd.*), a company established in the PRC and controlled by Sanpower Group

“HISAP Consignment Agreement”	the HISAP product procurement agreement and the product procurement (consignment) agreement dated 20 April 2017 (as amended and supplemented by a supplemental agreement dated 9 June 2017) entered into between Oregon Shanghai as consignor and HISAP as consignee in respect of the consignment of the Products
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jiangsu Hongtu”	江蘇宏圖高科技股份有限公司 (Jiangsu Hongtu High Technology Co., Ltd.*), a joint stock company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock code: 600122)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Meici”	上海美昔貿易有限公司 (Shanghai Meici Trading Limited*), a company established in the PRC and controlled by Sanpower Group
“Meici Consignment Agreement”	the non-exclusive marketplace services agreement dated 20 April 2017 (as amended and supplemented by a supplemental agreement dated 9 June 2017) entered into between Oregon Shanghai as consignor and Meici as consignee in respect of the consignment of the Products
“Oregon Shanghai”	歐西亞貿易(上海)有限公司 (Oregon Scientific Enterprise (Shanghai) Limited*), a wholly foreign owned enterprises established in the PRC and an indirectly wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Products”	products of Oregon Shanghai, such as consumer electronic products developed and manufactured by Oregon Shanghai
“Sanpower Group”	三胞集團有限公司 (Sanpower Group Co., Ltd.*), a conglomerate established in the PRC
“Sanpower Group Companies”	collectively, HISAP, Meici and Funtalk
“Shareholder(s)”	holder(s) of the Share(s)

“Share(s)” ordinary share(s) of par value HK\$0.10 each in the share capital of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By Order of the Board  
**IDT International Limited**  
**Foo Piau Phang**  
*Chairman and Chief Executive Officer*

Hong Kong, 9 June 2017

As at the date of this announcement,

1. The executive Director is Mr. Foo Piau Phang (Chairman and Chief Executive Officer);
2. The non-executive Directors are Mr. Xin Kexia, Mr. Song Rongrong, Mr. Jing Tian, Mr. Qi Miao and Mr. Shi Changyun; and
3. The independent non-executive Directors are Mr. Yang Xiongsheng, Ms. Zhao Yuhong, Dr. Li Quan and Mr. Duh Jia-Bin.

\* *For identification purpose only*