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**IDT INTERNATIONAL LIMITED**

**萬威國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 167)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

IDT INTERNATIONAL LIMITED is an investment holding company with subsidiaries engaged in investment holdings, as well as the design, development, manufacture, marketing and distribution of lifestyle electronic products.

**Financial Highlights:**

The financial year end date has been changed from March 31 to December 31 with effect from the financial year ended December 31, 2015. Accordingly, the current interim reporting period covers the six months period from January 1, 2016 to June 30, 2016, while the comparative figures presented herein for last financial period are for the six months ended September 30, 2015 (“FY2015”).

- Turnover amounted to HK\$232.2 million (FY2015: HK\$321.9 million).
- Gross profit amounted to HK\$52.1 million (FY2015: HK\$63.3 million).
- Total operating expenses amounted to HK\$114.5 million (FY2015: HK\$125.9 million).
- Loss for the period amounted to HK\$50.3 million (FY2015: HK\$61.1 million).
- Group cash balances of HK\$116.4 million (December 31, 2015: HK\$169.4 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, 2016 prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

|   | <i>Notes</i> | <b>Six months<br/>ended<br/>June 30,<br/>2016<br/>(Unaudited)<br/>HK\$'M</b> | Six months<br>ended<br>September 30,<br>2015<br>(Unaudited)<br>HK\$'M |
|---|--------------|--|---|
| Turnover  | 3            | 232.2  | 321.9   |
| Cost of goods sold  |              | <u>(180.1)</u>   | <u>(258.6)</u>  |
| Gross profit  |              | 52.1   | 63.3  |
| Other income  |              | 3.1  | 4.8   |
| Other gains and losses  |              | 9.0  | (3.1)   |
| Research and development costs  |              | (14.8)   | (15.1)  |
| Distribution and selling expenses   |              | (38.6)   | (56.1)  |
| General administrative expenses   |              | (61.1)   | (54.7)  |
| Interest on bank and other borrowings<br>wholly repayable within five years |              | <u>–</u>   | <u>(0.1)</u>  |
| Loss before taxation  | 4            | (50.3)   | (61.0)  |
| Taxation  | 5            | <u>–</u>   | <u>(0.1)</u>  |
| Loss for the period   |              | <u><b>(50.3)</b></u>   | <u><b>(61.1)</b></u>  |
| Other comprehensive (expenses)/income:                                      |              |  |   |
| Exchange differences arising on<br>translation of foreign operations        |              | <u>(1.2)</u>   | <u>0.5</u>  |
| Total comprehensive expenses<br>for the period                              |              | <u><b>(51.5)</b></u>   | <u><b>(60.6)</b></u>  |
| Loss for the period attributable to:  |              |  |   |
| Owners of the Company   |              | (50.3)   | (61.1)  |
| Non-controlling interests   |              | <u>–</u>   | <u>–</u>  |
|   |              | <u><b>(50.3)</b></u>   | <u><b>(61.1)</b></u>  |
| Total comprehensive expenses<br>attributable to:                            |              |  |   |
| Owners of the Company   |              | (51.5)   | (60.6)  |
| Non-controlling interests   |              | <u>–</u>   | <u>–</u>  |
|   |              | <u><b>(51.5)</b></u>   | <u><b>(60.6)</b></u>  |
| Loss per share – Basic  | 6            | <u><b>(1.93 HK cents)</b></u>  | <u><b>(2.35 HK cents)</b></u>   |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |              | At<br><b>June 30,<br/>2016</b><br><b>(Unaudited)</b><br><i>HK\$'M</i> | At<br>December 31,<br>2015<br><b>(Audited)</b><br><i>HK\$'M</i> |
|--|--------------|---|---|
|  | <i>Notes</i> |   |   |
| <b>Non-current assets</b>                    |              |   |   |
| Property, plant and equipment                |              | 26.6  | 29.0  |
| Intangible assets                            |              | 4.0   | 5.3   |
| Goodwill                                     |              | 33.8  | 33.8  |
| Available-for-sale investments               |              | 0.9   | 0.9   |
| Deferred tax assets                          |              | 2.0   | 2.0   |
|  |              | <b>67.3</b>   | 71.0  |
| <b>Current assets</b>                        |              |   |   |
| Inventories                                  |              | 135.0   | 140.4   |
| Trade and other receivables                  | 7            | 130.6   | 138.6   |
| Forward contract assets                      |              | –   | 0.1   |
| Tax recoverable                              |              | 0.5   | –   |
| Bank balances and cash                       |              | 116.4   | 169.4   |
|  |              | <b>382.5</b>  | 448.5   |
| <b>Current liabilities</b>                   |              |   |   |
| Trade and other payables and accruals        | 8            | 169.8   | 187.2   |
| Taxation payable                             |              | –   | 0.8   |
|  |              | <b>169.8</b>  | 188.0   |
| <b>Net current assets</b>                    |              | <b>212.7</b>  | 260.5   |
| <b>Net assets</b>                            |              | <b>280.0</b>  | 331.5   |
| <b>Capital and reserves</b>                  |              |   |   |
| Share capital                                | 9            | 260.0   | 260.0   |
| Reserves                                     |              | 19.9  | 71.4  |
| Equity attributable to owners of the Company |              | <b>279.9</b>  | 331.4   |
| Non-controlling interests                    |              | 0.1   | 0.1   |
| <b>Total equity</b>                          |              | <b>280.0</b>  | 331.5   |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Attributable to owners of the Company |               |               |               |                |               |               |               |              |
|---|---------------------------------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|--------------|
|   | Share                                 | Share         | Other         | Share         | Translation    | Revenue       | Non-          | Total         |              |
|   | capital                               | premium       | reserve       | options       | reserve        | reserve       | controlling   | equity        |              |
|   | (Unaudited)                           | (Unaudited)   | (Unaudited)   | (Unaudited)   | (Unaudited)    | (Unaudited)   | Total         | interests     | (Unaudited)  |
| <i>HK\$'M</i>   | <i>HK\$'M</i>                         | <i>HK\$'M</i> | <i>HK\$'M</i> | <i>HK\$'M</i> | <i>HK\$'M</i>  | <i>HK\$'M</i> | <i>HK\$'M</i> | <i>HK\$'M</i> |              |
| At January 1, 2016  | 260.0                                 | 165.0         | 32.5          | –             | (94.8)         | (31.3)        | 331.4         | 0.1           | 331.5        |
| Exchange differences arising from translation of foreign operations | –                                     | –             | –             | –             | (1.2)          | –             | (1.2)         | –             | (1.2)        |
| Loss for the period   | –                                     | –             | –             | –             | –              | (50.3)        | (50.3)        | –             | (50.3)       |
|   | <u>260.0</u>                          | <u>165.0</u>  | <u>32.5</u>   | <u>–</u>      | <u>(96.0)</u>  | <u>(81.6)</u> | <u>279.9</u>  | <u>0.1</u>    | <u>280.0</u> |
| At June 30, 2016  | <u>260.0</u>                          | <u>165.0</u>  | <u>32.5</u>   | <u>–</u>      | <u>(96.0)</u>  | <u>(81.6)</u> | <u>279.9</u>  | <u>0.1</u>    | <u>280.0</u> |
| At April 1, 2015  | 258.9                                 | 164.0         | 32.5          | 1.2           | (100.8)        | 54.1          | 409.9         | 0.1           | 410.0        |
| Exchange differences arising from translation of foreign operations | –                                     | –             | –             | –             | 0.5            | –             | 0.5           | –             | 0.5          |
| Loss for the period   | –                                     | –             | –             | –             | –              | (61.1)        | (61.1)        | –             | (61.1)       |
|   | <u>258.9</u>                          | <u>164.0</u>  | <u>32.5</u>   | <u>1.2</u>    | <u>(100.8)</u> | <u>54.1</u>   | <u>409.9</u>  | <u>0.1</u>    | <u>410.0</u> |
| Total comprehensive expenses for the period                         | –                                     | –             | –             | –             | 0.5            | (61.1)        | (60.6)        | –             | (60.6)       |
| Share issued upon exercise of share options                         | 1.1                                   | 1.9           | –             | (1.2)         | –              | –             | 1.8           | –             | 1.8          |
|   | <u>1.1</u>                            | <u>1.9</u>    | <u>–</u>      | <u>(1.2)</u>  | <u>–</u>       | <u>–</u>      | <u>1.8</u>    | <u>–</u>      | <u>1.8</u>   |
| At September 30, 2015   | <u>260.0</u>                          | <u>165.9</u>  | <u>32.5</u>   | <u>–</u>      | <u>(100.3)</u> | <u>(7.0)</u>  | <u>351.1</u>  | <u>0.1</u>    | <u>351.2</u> |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|  | <b>Six months<br/>ended<br/>June 30,<br/>2016<br/>(Unaudited)<br/>HK\$'M</b> | Six months<br>ended<br>September 30,<br>2015<br>(Unaudited)<br>HK\$'M |
|--|--|---|
| Net cash used in operating activities                  | (56.5)   | (28.1)  |
| Net cash generated from (used in) investing activities | 2.8  | (1.9)   |
| Net cash used in financing activities                  | —  | (9.3)   |
|  | (53.7)   | (39.3)  |
| Net decrease in cash and cash equivalents              |  |   |
| Cash and cash equivalents at beginning of the period   | 169.4  | 185.0   |
| Effect of foreign exchange rate changes                | 0.7  | 0.4   |
|  | 116.4  | 146.1   |
| Cash and cash equivalents at end of the period         | 116.4  | 146.1   |
| Analysis of the cash and cash equivalents:             |  |   |
| Cash and bank balances                                 | 116.4  | 146.1   |

*Notes:*

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial information for the six months ended June 30, 2016 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 of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”).

The financial year end date of the Company has been changed from March 31 to December 31 commencing from the financial period ended December 31, 2015. Accordingly, this set of interim results covers the six months period from January 1, 2016 to June 30, 2016 while the financial data of the previous interim reporting period was from April 1, 2015 to September 30, 2015.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amount or fair value, as appropriate. The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the financial statements for the nine months ended December 31, 2015, except as mentioned below.

In the current period, the Group has applied, for the first time, the following amendments to standards and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning January 1, 2016.

|   |   |
|---|---|
| Amendments to HKFRSs                            | Annual Improvements to HKFRSs 2012 – 2014 Cycle                         |
| Amendments to HKAS 1                            | Disclosure Initiative   |
| Amendments to HKAS 16<br>and HKAS 38            | Clarification of Acceptable Methods of Depreciation and<br>Amortisation |
| Amendments to HKAS 27                           | Equity Method in Separate Financial Statements                          |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception               |

The adoption of the above revised HKFRSs did not result in a significant impact on the result and financial position of the Group.

The Group has not early adopted any new and revised standards, amendments and interpretations that have been issued but are not effective.

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements used in preparing this condensed consolidated interim financial information are evaluated and are 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.

### 3. SEGMENT INFORMATION

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:

|  | Sports<br>Fitness &<br>Health<br><i>HK\$'M</i> | Smart<br>Learning<br>Products<br><i>HK\$'M</i> | Time &<br>Weather<br><i>HK\$'M</i> | Telecom-<br>Communication<br><i>HK\$'M</i> | Wellness &<br>Beauty<br><i>HK\$'M</i> | Others<br><i>HK\$'M</i> | Total<br><i>HK\$'M</i> |
|--|--|--|------------------------------------|--|---------------------------------------|-------------------------|------------------------|
| <b>Six months ended June 30, 2016</b>          |  |  |                                    |  |                                       |                         |                        |
| <b>Segment revenue</b>                         |  |  |                                    |  |                                       |                         |                        |
| Branded sales                                  | 6.3  | 10.6   | 52.6                               | -  | 7.6                                   | 0.8                     | 77.9                   |
| OEM/ODM sales                                  | 107.1  | -  | 11.7                               | 29.3                                       | -                                     | 6.2                     | 154.3                  |
| Total segment revenue                          | <u>113.4</u>                                   | <u>10.6</u>                                    | <u>64.3</u>                        | <u>29.3</u>                                | <u>7.6</u>                            | <u>7.0</u>              | <u>232.2</u>           |
| Segment (loss)/profit                          | <u>(24.2)</u>                                  | <u>(0.2)</u>                                   | <u>(25.7)</u>                      | <u>(9.5)</u>                               | <u>0.9</u>                            | <u>(2.8)</u>            | <u>(61.5)</u>          |
| Unallocated income                             |  |  |                                    |  |                                       |                         | 12.1                   |
| Unallocated expenses                           |  |  |                                    |  |                                       |                         | <u>(0.9)</u>           |
| Loss before taxation                           |  |  |                                    |  |                                       |                         | <u>(50.3)</u>          |
| <b>Six months ended<br/>September 30, 2015</b> |  |  |                                    |  |                                       |                         |                        |
| <b>Segment revenue</b>                         |  |  |                                    |  |                                       |                         |                        |
| Branded sales                                  | 11.9   | 26.5   | 60.1                               | -  | 12.1                                  | 1.2                     | 111.8                  |
| OEM/ODM sales                                  | 151.8  | -  | 20.9                               | 27.4                                       | -                                     | 10.0                    | 210.1                  |
| Total segment revenue                          | <u>163.7</u>                                   | <u>26.5</u>                                    | <u>81.0</u>                        | <u>27.4</u>                                | <u>12.1</u>                           | <u>11.2</u>             | <u>321.9</u>           |
| Segment loss                                   | <u>(27.8)</u>                                  | <u>(9.3)</u>                                   | <u>(23.7)</u>                      | <u>(2.4)</u>                               | <u>(0.8)</u>                          | <u>(1.1)</u>            | <u>(65.1)</u>          |
| Unallocated income                             |  |  |                                    |  |                                       |                         | 4.8                    |
| Unallocated expenses                           |  |  |                                    |  |                                       |                         | (0.6)                  |
| Finance costs                                  |  |  |                                    |  |                                       |                         | <u>(0.1)</u>           |
| Loss before taxation                           |  |  |                                    |  |                                       |                         | <u>(61.0)</u>          |

Segment revenue reported above represents revenue generated from 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 of interest income and unallocated expenses such as central administrative cost and finance costs. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

#### 4. LOSS BEFORE TAXATION

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

|   | <b>Six months<br/>ended<br/>June 30,<br/>2016<br/>HK\$'M</b> | Six months<br>ended<br>September 30,<br>2015<br>HK\$'M |
|---|--|--|
| Depreciation of property, plant and equipment | 7.8  | 9.4  |
| Amortisation of intangible assets             | 1.4  | 2.2  |
| Net exchange (gains) losses                   | (0.8)  | 3.2  |
| Interest income                               | (0.3)  | (0.6)  |
|   | <u><u>          </u></u>                                     | <u><u>          </u></u>                               |

#### 5. TAXATION

The charge comprises:

|   | <b>Six months<br/>ended<br/>June 30,<br/>2016<br/>HK\$'M</b> | Six months<br>ended<br>September 30,<br>2015<br>HK\$'M |
|---|--|--|
| Taxation of the Company and its subsidiaries: |  |  |
| Hong Kong Profits Tax                         | –  | (0.1)  |
|   | <u><u>          </u></u>                                     | <u><u>          </u></u>                               |

Hong Kong profits tax has been provided at the statutory tax rate of 16.5% (FY2015: 16.5%) of the estimated assessable profits for the period less available tax losses. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

#### 6. 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:

|   | <b>Six months<br/>ended<br/>June 30,<br/>2016<br/>HK\$'M</b> | Six months<br>ended<br>September 30,<br>2015<br>HK\$'M |
|---|--|--|
| Loss for the period attributable to owners of the Company<br>for the purposes of calculating basic loss per share | <u><u>(50.3)</u></u>   | <u><u>(61.1)</u></u>                                   |



|  | <b>June 30,<br/>2016</b>    | September 30,<br>2015 |
|--|-----------------------------|-----------------------|
| Number of ordinary shares for the purposes of calculating basic loss per share | <b><u>2,599,993,088</u></b> | <u>2,599,993,088</u>  |

No diluted loss per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

## 7. 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 reporting date.

|                                   | At<br><b>June 30,<br/>2016</b><br><i>HK\$'M</i> | At<br>December 31,<br>2015<br><i>HK\$'M</i> |
|-----------------------------------|---|---|
| 0 to 30 days                      | <b>24.0</b>                                     | 52.6  |
| 31 to 90 days                     | <b>13.5</b>                                     | 42.7  |
| Over 90 days                      | <b>16.7</b>                                     | 4.6   |
| Trade receivables                 | <b>54.2</b>                                     | 99.9  |
| Other receivables                 | <b>76.4</b>                                     | 38.7  |
| Total trade and other receivables | <b><u>130.6</u></b>                             | <u>138.6</u>                                |

The Group normally allows credit period of 30 to 60 days to its trade customers. Customers with a long business relationship and strong financial position are allowed to settle their balances beyond the normal credit terms up to 90 days.

## 8. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

|   | At<br><b>June 30,<br/>2016</b><br><i>HK\$'M</i> | At<br>December 31,<br>2015<br><i>HK\$'M</i> |
|---|---|---|
| 0 to 30 days                                | 35.4  | 37.7  |
| 31 to 90 days                               | 8.4   | 20.4  |
| Over 90 days                                | 6.1   | 5.0   |
|   | <hr/>   | <hr/>                                       |
| Trade payables                              | 49.9  | 63.1  |
| Other payables and accruals                 | 119.9   | 124.1                                       |
|   | <hr/>   | <hr/>                                       |
| Total trade and other payables and accruals | <b>169.8</b>                                    | 187.2                                       |
|   | <hr/> <hr/>                                     | <hr/> <hr/>                                 |

## 9. SHARE CAPITAL

|   | Number<br>of shares  | Amount<br><i>HK\$'M</i> |
|---|----------------------|-------------------------|
| Authorised:   |                      |                         |
| At April 1, 2015, December 31, 2015 and June 30, 2016 |                      |                         |
| – ordinary shares of HK\$0.10 each                    | 3,500,000,000        | 350.0                   |
| – ordinary shares of US\$0.10 each                    | 10,000               | –                       |
| Issued and fully paid:                                |                      |                         |
| – ordinary shares of HK\$0.10 each                    |                      |                         |
| At April 1, 2015                                      | 2,588,973,088        | 258.9                   |
| Issue upon exercise of share options                  | 11,020,000           | 1.1                     |
|   | <hr/>                | <hr/>                   |
| At December 31, 2015 and June 30, 2016                | <b>2,599,993,088</b> | 260.0                   |
|   | <hr/> <hr/>          | <hr/> <hr/>             |

## **FINANCIAL REVIEW**

The Group's total turnover for the six months ended June 30, 2016 amounted to HK\$232.2 million (FY2015: HK\$321.9 million), which was primarily due to the difficult retail market conditions in America and Europe.

Gross profit totaled HK\$52.1 million (FY2015: HK\$63.3 million). Gross profit margin increased to 22.4% from 19.7% in FY2015 mainly due to change in the product and sales channel.

The Group continued to place significant effort on executing stringent cost controls and streamlining its organizational structure and operational procedures. Total operating expenses of the Group, including research and development costs, distribution and selling expenses, and general administrative expenses, amounted to HK\$114.5 million (FY2015: HK\$125.9 million).

Other gains and losses during the period were recorded as gains of HK\$9.0 million, mainly from the disposal on property, plant and equipment, while losses of FY2015 amounted to HK\$3.1 million.

No taxation was provided for the period (FY2015: HK\$0.1 million).

Loss for the six months ended June 30, 2016 was HK\$50.3 million (FY2015: loss of HK\$61.1 million).

## **BUSINESS REVIEW**

### **Oregon Scientific (“OS”)**

The corporate strategy continued to focus on phasing out low margin customers and products, re-shaping the underperforming business units and streamlining operating expense. The overall revamp in the period affected sales revenue which dropped 30.3% to HK\$77.9 million against FY2015, and accounted for 33.5% of the Group's total sales revenues.

Time and Weather (“T&W”) and Smart Learning Products (“SLP”) continued to be the main categories, taking up 81.1% of OS sales. Other categories, such as Wellness and Beauty (“W&B”) and Sport, Fitness and Health (“SFH”), were more geared towards Asia Pacific sales, comprising 42.2% of the total sales to the region.

The implementation of the previously formulated distribution strategy has yielded positive results reflected in the revenue growth recorded in Spain, the UK, and Japan.

Going forward, the OS division expects to further align the operation with its corporate strategy, grooming higher margin channel partners, developing e-commerce, and reducing fixed costs. Continuous development of innovative products remains as the key to the Company's success in the future.

## **Value Manufacturing Services (“VMS”)**

Sales revenue from VMS for the six months ended June 30, 2016 totaled HK\$154.3 million, which accounted for 66.5% of the Group’s total revenue (FY2015: HK\$210.1 million). Due to the weak global economy, the decrease included OEM and ODM customers for all product categories. The profit margin dropped because the lower sales revenue could not cover the operational costs.

With respect to the product categories, SFH remained the major product category and accounted for 69.4% of revenues, contributing HK\$107.1 million in sales revenue. T&W and Telecommunication products accounted for 26.6%, while the other product categories accounted for 4.0% of total sales. Since the global economy has not yet fully recovered, we expect that sales may not pick up in the second half of the current financial year.

In the VMS business, we continue to follow the Group’s strategy, i.e., focusing on SFH products such as GPS watches, smart-bands, activity monitors, blood glucose meters and fitness consoles with the majority of these products being Internet of Things-enabled “IoT” with apps and connectable to smart devices.

Americas was the largest market accounting for 48.0% of total VMS revenues whilst the Europe decreased to 24.5% and Asia Pacific decreased to 27.5%.

## **OUTLOOK**

The Group will continue to implement various initiatives and measures to improve its overall business performance and productivity. However, it is anticipated that the costs of components and materials as well as labor will continue to increase. It will focus on streamlining its factory operations and strengthening its outsourcing activities to improve its operational efficiency and cost effectiveness. The Group will also continue to employ stringent controls over inventory and operating costs, while maintaining development of innovative products and exploring new markets.

## **Oregon Scientific (“OS”)**

OS continues to reinforce its brand positioning and image as a leading and preferred brand with a successful mix of leading edge technology, design and lifestyle elements. From a product prospective, we have further expanded our development to Wi-Fi and Cloud to compliment the smart devices, thereby providing better connectivity and a wider scope of interactions among users. A number of new products are currently in the final testing phase and are planned to be launched in the second half of this year.

In the T&W category, Smart Internet Radio Clock utilizes the Wi-Fi connection to access Internet radio stations, podcasts and more as well as synchronizes the clock automatically. Our dedicated mobile app supports instant text and voice message playback to keep the family connected while at home.

In the W&B category, we continue to expand the aroma diffuser family by not only introducing more new models of aroma diffusers, but also crossover with other technology such as clinically-proven brainwave music. The DreamScience Aroma Diffuser with a Brainwave Bluetooth Music Speaker brings a perfect harmony of tranquility and sound.

In the SLP category, the SmartGlobe collection continues to be the star and the latest premium version, with a 7" LCD colour screen, 3,500 videos and images, was introduced in Japan with success. The Smart Anatomy, which featured another new innovative smart technology, was awarded the Best Toy of Spain 2015. Smart Anatomy will also soon be available in Russia. Applying our core technology to improve learning by adding more fun elements will continue to be an important strategy direction in this category.

From market and channel development perspective, Europe will continue to be the region making the main revenue contribution in the second half of the year. More resources would be allocated to develop the US and China markets. Formulating go-to-market strategy such as infrastructure set up, product assortment and partnership engagement in these markets is one of our priorities.

From channels perspective, e-commerce is the key growth engine, thus OS will continue to build online competence to enhance a more interactive consumer experience through all available touch points and form strategic partnerships with leading online platforms in different regions.

### **Value Manufacturing Services (“VMS”)**

As for the rest of the financial year, the sales forecast will follow a similar pattern as the last corresponding period. SFH will continue to be the largest revenue contributor. Against the backdrop of the relatively sluggish economy, the full year revenue will likely be significantly lower than that of last year.

In the VMS business, the Group will continue to invest resources in developing SFH and Internet of Things-enabled “IoT” products. Other than focusing on higher priced and higher margin products, the Group continues to exercise stringent cost controls in the VMS manufacturing operations in order to improve profitability.

### **WORKING CAPITAL**

Inventory at June 30, 2016 was HK\$135.0 million, decreasing by 3.9% compared to HK\$140.4 million at December 31, 2015. The inventory turnover days increased to 137 days (December 31, 2015: 90 days).

Trade debtor at June 30, 2016 was HK\$54.2 million, decreasing by 45.8% compared to HK\$99.9 million at December 31, 2015. Trade debtor’s turnover days decreased to 43 days (December 31, 2015: 51 days).

## **LIQUIDITY AND TREASURY MANAGEMENT**

At June 30, 2016, the cash and bank balances of the Group were HK\$116.4 million (December 31, 2015: HK\$169.4 million).

During the six months ended June 30, 2016, the Group generated its funds mainly from operating activities. The Group maintained sufficient financial resources to meet all working capital requirements and its commitments.

The Group's exposure to foreign currency stems mainly from the net cash flow and net working capital translation achieved in its overseas subsidiaries. Hedging of foreign currency exposures is done through a combination of natural hedges and forward forex contracts. At June 30, 2016, there were forward contracts in place to hedge against possible exchange movements of future net cash flows. Speculative currency transactions are strictly prohibited. Management of currency risk is the responsibility of the Group's headquarters in Hong Kong.

## **CHARGES ON GROUP ASSETS**

At June 30, 2016, there were no financial charges on the Group's assets.

## **CAPITAL EXPENDITURE**

Capital expenditure on property, plant and equipment for the six months ended June 30, 2016 amounted to HK\$5.6 million (FY2015: HK\$0.8 million) which was primarily used for the business operation and development. Sources of funds were mainly financed by internal resources.

There were no material acquisitions or disposals of associated companies in the course of the six months ended June 30, 2016.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2016 (FY2015: Nil).

## **CONTINGENT LIABILITIES**

At June 30, 2016, the Group had no contingent liabilities (December 31, 2015: Nil).

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at June 30, 2016, the Group had approximately 1,357 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 training.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended June 30, 2016.

## **CORPORATE GOVERNANCE**

The Group is committed to achieving high standards of corporate governance. Throughout the period ended June 30, 2016, the Company has applied the principles and complied with all Code Provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with the exception of Code Provision A.2.1 in respect of the separation of roles of the chairman and chief executive officer. Mr. Foo Piau Phang, the executive Director and chairman of the Company takes up the office of acting group chief executive officer in the interim, until the appointment of Mr. Hou Kaai Wern as chief executive officer on May 12, 2016.

## **AUDIT COMMITTEE**

The Audit Committee, comprising three Independent Non-Executive Directors, Mr. Yang Xiongsheng (Chairman), Ms. Zhao Yuhong and Dr. Li Quan, has reviewed and discussed with the management of the Company the accounting principles and practices adopted by the Group, internal control and financial reporting matters including the review of the unaudited financial statements and the results of the Group for the six months ended June 30, 2016.

## 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 review period.

On behalf of the Board  
**IDT International Limited**  
**Foo Piau Phang**  
*Chairman*

Hong Kong, August 26, 2016

*As at the date of this announcement, the executive Directors are Mr. Foo Piau Phang (Chairman) and Mr. Hou Kaai Wern (Chief Executive Officer); the non-executive Directors are Mr. Xin Kexia, Mr. Song Rongrong, Ms. Wang Yang, Mr. Qi Miao and Mr. Shi Changyun; and the independent non-executive Directors are Mr. Yang Xiongsheng, Ms. Zhao Yuhong, Dr. Li Quan and Mr. Duh Jia-Bin.*

Website: <http://www.idthk.com>

\* *For identification purpose only*