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IDT INTERNATIONAL LIMITED

萬威國際有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 167)

INSIDE INFORMATION

JUDGMENT OF TAX DISPUTE INVOLVING A SUBSIDIARY

This announcement is made by IDT International Limited (“**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (“**Board**”) of directors (“**Directors**”, each a “**Director**”) of the Company wishes to inform the shareholders of the Company and public investors that Oregon Scientific Italy Limited (“**OS Italy**”), an indirect wholly-owned subsidiary of the Company, has received the judgment (“**Judgment**”) from the Supreme Court of Cassation of Italy (“**Supreme Court**”) in relation to the tax dispute between OS Italy and the Italian Tax Authorities (“**Tax Authorities**”). The Supreme Court has accepted the request of the Tax Authorities and rejected OS Italy’s appeal.

The tax dispute began in 2009 when the Tax Authorities challenged that the cost of OS Italy’s goods in transit during the financial years 2003/2004 and 2004/2005 (“**Relevant Financial Years**”) should be booked to its profit/loss statement when the goods were embarked. Although the booking procedure of OS Italy did not involve any lower income tax payment, the Tax Authorities issued a tax audit report for the Relevant Financial Years and asked for additional taxes, penalties and interests for a total amount of €1,392,000 (€663,000 taxes plus €729,000 penalties and interests), equivalent to approximately HK\$12.43 million.

OS Italy appealed to the Provincial Tax Court, which issued the first judgment in March 2009. According to the first judgment, penalties for a total amount of € 600,000 (equivalent to approximately HK\$5,359,000) plus interests and fees were confirmed to be imposed on OS Italy. Following the issue of the first judgment, the Tax Authorities issued a payment request of € 420,000 (equivalent to approximately HK\$3,752,000) to OS Italy.

OS Italy subsequently appealed to the Regional Tax Court, which issued the second judgment in December 2010. According to the second judgment, the judgment of the Provincial Tax Court was cancelled and the amount of penalties already paid by OS Italy was returned to OS Italy.

The Tax Authorities then appealed to the Supreme Court, which accepted the request of the Tax Authorities and issued the Judgment. The Judgment stated that (i) the booking of costs for goods in transit was not correct and (ii) even if the wrong booking did not cause any economic damage to the Tax Authorities, it was a formal violation and it was not correct to disapply penalties.

According to the legal opinion (“**Legal Opinion**”) of OS Italy’s legal adviser as to Italian laws, no further legal actions are possible for OS Italy in relation to the Judgment, and OS Italy may be asked by the Tax Authorities for payments of taxes, penalties and interests for a total amount of €1,650,000 (equivalent to approximately HK\$14.74 million) as estimated by a local tax consultant. The final amount of payments will be confirmed once OS Italy receives the tax notice issued by the Tax Authorities.

Having considered the Legal Opinion and the information currently available, the Board currently expects that provision for the tax liability of approximately HK\$14.74 million will be recorded in the Group’s consolidated financial statements for the year ending 31 December 2018 as a result of the Judgment, and the Group’s financial position and operation results for the year ending 31 December 2018 would be adversely affected by the Judgment.

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

In this announcement, amounts in € are converted to HK\$ at the exchange rate of €1 to HK\$8.9322. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By Order of the Board
IDT International Limited
Xu Chiming
Chairman

Hong Kong, 6 November 2018

As at the date of this announcement,

1. The executive Directors are Mr. Xu Chiming (Chairman) and Mr. Zhu Yongning (Chief Executive Officer) ;
2. The non-executive Director is Mr. Song Rongrong;
3. The independent non-executive Directors are Mr. Xu Jinwen, Mr. Zhou Meilin and Mr. Zhou Rui.

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

** For identification purpose only*