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, 2019

Financial Highlights:

- Turnover amounted to HK$113.3 million (1H2018: HK$224.9 million).
- Gross profit amounted to HK$18.3 million (1H2018: HK$45.1 million).
- Total operating expenses amounted to HK$53.0 million (1H2018: HK$114.4 million).
- Loss for the period amounted to HK$30.4 million (1H2018: HK$62.3 million).
- Cash balances of the Group amounted to HK$20.4 million (December 31, 2018: HK$22.3 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, 2019 together with the comparative figures for the corresponding period ended June 30, 2018 ("**1H2018**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2019

		Six months ended June 30,	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'M***	*HK$'M*
Turnover	*3*	**113.3**	224.9
Cost of goods sold		**(95.0)**	(179.8)
Gross profit		**18.3**	45.1
Other income		**4.3**	7.3
Other gains and losses		**–**	0.3
Research and development costs		**(2.9)**	(13.8)
Distribution and selling expenses		**(18.2)**	(38.2)
General administrative expenses		**(28.8)**	(60.9)
Finance costs		**(3.1)**	(1.5)
Loss before taxation	*4*	**(30.4)**	(61.7)
Taxation	*5*	**–**	(0.6)
Loss for the period		**(30.4)**	(62.3)
Other comprehensive income/(expenses):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**0.4**	(6.8)
Loss and total comprehensive expenses for the period		**(30.0)**	(69.1)
Loss and total comprehensive expenses for the period attributable to:			
Owners of the Company		**(30.0)**	(69.1)
Non-controlling interests		**–**	–
		(30.0)	(69.1)
Loss per share – Basic	*6*	**(1.17 HK cents)**	(2.40 HK cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	Notes	**As at June 30, 2019 (Unaudited)** ***HK$'M***	As at December 31, 2018 (Audited) *HK$'M*
Non-current assets			
Property, plant and equipment		**38.6**	27.6
Intangible assets		**2.6**	2.6
Rental deposits		**6.4**	6.5
Prepaid rental		**0.1**	0.1
		47.7	36.8
Current assets			
Inventories		**67.9**	74.8
Trade and other receivables	*7*	**72.0**	81.3
Bank balances and cash		**20.4**	22.3
		160.3	178.4
Current liabilities			
Trade and other payables	*8*	**110.0**	117.8
Tax payable		**0.4**	12.3
Borrowing		**34.3**	37.4
Lease liabilities		**16.5**	–
Contract liabilities		**58.2**	58.2
		219.4	225.7
Net current liabilities		**(59.1)**	(47.3)
Non-current liability			
Loan from a Shareholder		**61.6**	32.5
Net liabilities		**(73.0)**	(43.0)
Capital and reserves			
Share capital	*9*	**260.0**	260.0
Reserves		**(333.1)**	(303.1)
Equity attributable to owners of the Company		**(73.1)**	(43.1)
Non-controlling interests		**0.1**	0.1
Net deficits		**(73.0)**	(43.0)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital (Unaudited) *HK$'M*	Share premium (Unaudited) *HK$'M*	Other reserve (Unaudited) *HK$'M*	Translation reserve (Unaudited) *HK$'M*	Revenue reserve (Unaudited) *HK$'M*	Total (Unaudited) *HK$'M*	Non-controlling interests (Unaudited) *HK$'M*	Total equity (Unaudited) *HK$'M*
As at January 1, 2019	260.0	165.0	32.5	(102.8)	(397.8)	(43.1)	0.1	(43.0)
Exchange differences arising from translation of foreign operations	–	–	–	0.4	–	0.4	–	0.4
Loss for the period	–	–	–	–	(30.4)	(30.4)	–	(30.4)
Total comprehensive expenses for the period	–	–	–	0.4	(30.4)	(30.0)	–	(30.0)
As at June 30, 2019	260.0	165.0	32.5	(102.4)	(428.2)	(73.1)	0.1	(73.0)
As at January 1, 2018	260.0	165.0	32.5	(96.9)	(181.0)	179.6	0.1	179.7
Exchange differences arising from translation of foreign operations	–	–	–	(6.8)	–	(6.8)	–	(6.8)
Loss for the period	–	–	–	–	(62.3)	(62.3)	–	(62.3)
Total comprehensive expenses for the period	–	–	–	(6.8)	(62.3)	(69.1)	–	(69.1)
As at June 30, 2018	260.0	165.0	32.5	(103.7)	(243.3)	110.5	0.1	110.6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'M	*HK$'M*
Net cash used in operating activities	**(10.2)**	(3.2)
Net cash used in investing activities	**(17.7)**	(7.8)
Net cash generated from (used in) financing activities	**26.0**	(1.5)
Net decrease in cash and cash Equivalents	**(1.9)**	(12.5)
Cash and cash equivalents at beginning of the period	**22.3**	37.2
Cash and cash equivalents at end of the period	**20.4**	24.7
Analysis of the cash and cash equivalents:		
Cash and bank balances	**20.4**	24.7

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended June 30, 2019 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 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 year ended December 31, 2018, 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, 2019.

HKFRS 16	Leases
HKIFRIC 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Leases

The Group as a lessee

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-ofuse asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the condensed consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns.

Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rental is charged to the profit or loss in the accounting period in which they are incurred.

As at the date of authorisation of the condensed consolidated interim financial statements, HKICPA has issued a number of new and amended HKFRSs. For those which are effective for accounting period beginning on 1 January 2019, the impact of the adoption of HKFRS 16 is disclosed below. Other than HKFRS 16, the adoption of these new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC) Int-15 "Operating Leases-Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of "Retained profits" for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 8%.

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	HK$'M
Total operating lease commitments disclosed as at 31 December 2018	28.9
Recognition exemptions:	
· Leases with remaining lease term of less than 12 months	(0.2)
Operating leases liabilities before discounting	28.7
Discounting using incremental borrowing rate as at 1 January 2019	(1.5)
Total lease liabilities recognised under HKFRS 16 as at 1 January 2019	27.2
Classified as:	
Current lease liabilities	27.2

The following table summarises the impact of transition to HKFRS 16 on the Group's condensed consolidated statement of financial position as at 1 January 2019:

	HK$'M
Increase in right-of-use assets presented in property plant and equipment	27.2
Increase in lease liabilities	27.2

The Group has not adopted early any new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

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.

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 and right-of-use assets recognised.

3. 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 Directors of the Company, being the chief operating decision maker (the "CODM") were reorganised based on district products to different customer groups. The reportable and operating segments were namely Connected home and communications ("CoH"), Health and wellness ("H&W"), Smart learning and immersive technology ("SLIT"), in addition, other electric products which are individually unsignificant were aggregated and reported under others.

Connected home and communications	–	design, development, manufacture, and sales and marketing of home connected and communication products
Health and wellness	–	design, development, manufacture, and sales and marketing of health and wellness products
Smart learning and immersive Technology	–	design, development, manufacture and sales and marketing of electric learning and inner size 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:

	Smart Learning and Immersive Technology *HK$'M*	Connected Home and Communications *HK$'M*	Health and Wellness *HK$'M*	Others *HK$'M*	Total *HK$'M*
Six months ended June 30, 2019					
Segment revenue					
Branded sales	**16.5**	**13.3**	**1.2**	**0.4**	**31.4**
OEM/ODM sales	**–**	**3.9**	**73.5**	**4.5**	**81.9**
Total segment revenue	**16.5**	**17.2**	**74.7**	**4.9**	**113.3**
Segment loss	**(5.8)**	**(5.5)**	**(5.2)**	**(1.9)**	**(18.4)**
Unallocated expenses					**(12.0)**
Loss before taxation					**(30.4)**
Six months ended June 30, 2018					
Segment revenue					
Branded sales	24.9	39.2	12.8	3.4	80.3
OEM/ODM sales	–	32.4	82.2	30.0	144.6
Total segment revenue	24.9	71.6	95.0	33.4	224.9
Segment loss	(2.0)	(25.7)	(19.1)	(11.3)	(58.1)
Unallocated expenses					(3.6)
Loss before taxation					(61.7)

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 the following:

	Six months ended June 30,	
	2019	2018
	HK$'M	*HK$'M*
Depreciation of property, plant and equipment	**6.1**	4.1
Amortisation of intangible assets	**–**	0.2
Amortisation of right-of-use assets	**10.9**	–
Net exchange losses/(gains)	**2.3**	(0.3)

5. TAXATION

The charge comprises:

	Six months ended June 30,	
	2019	2018
	HK$'M	*HK$'M*
Taxation of the Company and its subsidiaries:		
Hong Kong Profits Tax	**–**	–
Taxation in other jurisdictions	**–**	(0.6)
	–	(0.6)

Hong Kong profits tax has been provided at the statutory tax rate of 16.5% (1H2018: 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:

	Six months ended June 30,	
	2019	2018
	HK$'M	*HK$'M*
Loss for the period attributable to owners of the Company for the purposes of calculating basic loss per share	**(30.4)**	(62.3)

	Six months ended June 30,	
	2019	2018
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 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.

	As at June 30, 2019	As at December 31, 2018
	HK$'M	*HK$'M*
0 to 30 days	**14.7**	22.9
31 to 90 days	**1.2**	12.5
Over 90 days	**4.5**	1.2
Trade receivables	**20.4**	36.6
Other receivables	**51.6**	44.7
Total trade and other receivables	**72.0**	81.3

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

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, 2019 *HK$'M*	As at December 31, 2018 *HK$'M*
0 to 30 days	**31.2**	35.1
31 to 90 days	**6.6**	17.7
Over 90 days	**43.2**	45.7
Trade payables	**81.0**	98.5
Other payables	**29.0**	19.3
Total trade and other payables	**110.0**	117.8

9. SHARE CAPITAL

	Number of shares	**Amount** *HK$'M*
Authorised:		
At December 31, 2018 and June 30, 2019 – ordinary shares of HK$0.10 each	**20,000,000,000**	2,000.0
At December 31, 2018 and June 30, 2019 – ordinary shares of US$0.10 each	**10,000**	–
Issued and fully paid:		
At December 31, 2018 and June 30, 2019 – ordinary shares of HK$0.10 each	**2,599,993,088**	260.0

FINANCIAL RESULTS

The Group's total revenue for the six months ended June 30, 2019 amounted to HK$113.3 million (1H2018: HK$224.9 million), representing a decrease of approximately 49.6% as compared with the same period last year.

Gross profit totaled HK$18.3 million (1H2018: HK$45.1 million), representing a decrease of approximately 59.4% as compared with the same period last year. Gross profit margin decreased to 16.2% in first half of 2019, mainly due to the fact that the unit production costs increased. The Group allocated the production resources to those customers' orders with high profit margins. However, those sales orders were relatively less in terms of quantity and the fixed production overhead remained stable.

Total operating expenses of the Group, including research and development costs, distribution and selling expenses, general administrative expenses and finance cost, amounted to HK$53.0 million (1H2018: HK$114.4 million). As the revenue decreased during the six months ended June 30, 2019 and the management implemented various measures to control the operating expeneses, the operating expenses decreased accordingly.

Other income and other gains and losses during first half of 2019 were recorded as net gains of HK$4.3 million (1H2018: gains of HK$7.6 million).

Losses for the six months ended June 30, 2019 was HK$30.4 million (1H2018: loss of HK$62.3 million).

BUSINESS REVIEW

In the first half of 2019, the revenue was HK$113.3 million, which was lower than that of the corresponding period of 2018 (HK$224.9 million). The decrease in revenue was because the orders of some customers were scheduled to be delivered in the second half of 2019.

Through various measures implemented by the management, the expenses were lowered from HK$114.4 million to HK$53.0 million. The loss of the Group was HK$30.4 million which has decreased by 51.2% from HK$62.3 million for 1H2018.

The Company will continue to explore business opportunities and cost control measures to enhance efficiency.

OREGON SCIENTIFIC ("OS")

Due to the financial constraints and priority given to the VMS customers, the delivery of the customers' purchase orders under OS brand had been postponed to the third and fourth quarters of 2019. The sales revenue was HK$31.4 million (1H2018: HK$80.3 million), accounting for 27.7% of the Group's total revenue. CoH (Connected Home) and SLP (Smart Learning) were still the main product categories, accounting for over 90% of OS sales.

In general, the Group will aim at re-activating the brand business in the 2nd half of 2019 to retain the brand awareness and sales channels in the overseas markets, while developing those for China. In CoH category, we will attempt to cooperate with our partners to bring a series of the upgraded version on the existing products at a more affordable price, while to streamline the number of stockkeeping units for a more effective inventory management.

In SLP, the technology enablement of AR functions in this category continued to be welcomed by the customers and we maintain a strong growth in certain overseas countries such as Japan, Spain and Russia. China is our next main focus and the Group is preparing the new product, the same of which will be launched in the fourth quarter of 2019 in China. The adjustment of the business model in Italy and Germany through establishing partnership with reputable distributors did enhance the access to the market at lower cost with quicker cash inflow.

Value Manufacturing Services ("VMS")

In the 1st half of 2019, despite the order delivery challenges, the Group successfully retained most of the VMS customers. Several existing key customers increased the number of orders significantly which will be delivered in the 2nd half of 2019. However, due to the weak performance trend of the global consumer electronics industry as a result of the US-China trade war, it is expected to have adverse impacts on the purchase from certain customers particularly from the United States.

The sales revenue of VMS business was HK$81.9 million (1H2018: HK$144.6 million) which accounted for 72.3% of the Group's total revenue. In terms of product categories, Sports, Health & Fitness is still the key products, and followed by the Connected Home.

The Group has received the continuous and loyal support from the long-term major customers, and continued to secure new purchase orders. To maintain our competitiveness, the VMS research & development team continuously establishes strategic partnership with global innovative technology partners such as E-ink watch, PWTT Smart blood pressure monitor, heart rate variability measurement, sleeping aid solution and is ready for the new projects.

OUTLOOK

The unstable global economy and the US-China trade war will continue to affect the Group's business. Nonetheless, there are still opportunities and the Group remains confident in its business direction and strategy in 2019.

The Group continues to develop China market and maximizes customer coverage through offline and online channels, with customized product development focusing on Sports Fitness Health and Smart Learning products. Strategic partnerships will be formed with the leading institutes in the areas of children learning and healthcare in China to develop customized products and promotion through joint effort.

OREGON SCIENTIFIC

The main objective under OS in the 2nd half of 2019 is to re-activate the brand business and recover the orders of OS brand partners in the overseas markets. The Group has scheduled to hold several sales campaigns in overseas markets.

Several new Smart Learning products will be launched and this category will continue to be the main product category of the OS business. The upcoming new products not only will come with the immersive AR technology, but also equipped with the voice recognition function to enhance the children's learning experience. Strategic partnership will be formed with Intellectual Property Publishing House, which is under the National Intellectual Property Administration of the PRC with a focus on promoting this product category into the targeted channels include school with joint promotion effort.

The Group will also continue to work on controlling the selling expenses, reducing the inventory level and enhancing the cash collection turnover through the on-going adjustment in business model to enhance business efficiency.

VALUE MANUFACTURING SERVICES ("VMS")

The Group continues to strategically focus on those customers who contribute good scale and profit margin and technology know-how sharing and improve our service. Sports, Fitness, Health and Connected Home would continue to be the main category of the VMS business.

Sleep aid and health monitoring system would be the areas that the Group will put emphasis. All these new products are related to the big data concept. As such, our customers and strategic partners will work with us to analyze and utilize these data to develop products which could suit better the consumers' needs.

Besides retaining the existing customers and developing new ones, our focus includes continuously improving the efficiency of product developments and manufacturing operation. We will continue to innovate our products with our VMS customers at the lowest cost with best endeavours. As such, our VMS customers would be able to retain more resources to invest in new products and make us more competitive and grow together.

WORKING CAPITAL

Inventory amount as at June 30, 2019 was HK$67.9 million, representing a decrease of approximately 45.2% as compared to HK$123.9 million as at December 31, 2018. The inventory turnover days increased to 137 days (December 31, 2018: 91 days).

Trade debtor amount as at June 30, 2019 was HK$20.4 million, representing a decrease of approximately 44.3% as compared to HK$36.6 million as at December 31, 2018. Trade debtor's turnover days decreased to 46 days (December 31, 2018: 64 days).

LIQUIDITY AND TREASURY MANAGEMENT

As at June 30, 2019, the cash and bank balances of the Group were HK$20.4 million (December 31, 2018: HK$22.3 million).

During the six months ended June 30, 2019, the Group generated its funds mainly from operating 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, 2019, there were no charges on the Group's assets.

CAPITAL EXPENDITURE

Capital expenditure on property, plant and equipment for the six months ended June 30, 2019 amounted to HK$1.4 million (1H2018: HK$7.8 million) which was primarily used for the business operation and development.

There were no material acquisitions or disposals of associated companies in the course of the six months ended June 30, 2019.

DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended June 30, 2019 (1H2018: Nil).

CONTINGENT LIABILITIES

As disclosed in the annual report 2018 of the Company, an indirect wholly-owned subsidiary of the Company, Oregon Scientific Brasil Ltda., was involved in a tax dispute with the State of Sao Paulo, the Federative Republic of Brazil, which may cause a maximum tax payment, including penalty and interest, of approximately BRL 3.6 million (equivalent to approximately HK$7.3 million).

Currently, there is no update or progress after we filed the appeal at the Tax Court of Sao Paulo in early 2019. We will keep monitoring the same closely.

HUMAN RESOURCES AND REMUNERATION POLICY

As at June 30, 2019, the Group had approximately 525 employees (June 30, 2018: approximately 882 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.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). In response to a specific enquiry by the Company, all Directors confirmed that they complied with the requirements of the Model Code during the six months ended June 30, 2019 and up to the date of this announcement.

NON-COMPLIANCE WITH RULES 3.10, 3.21 AND 3.25 OF THE LISTING RULES

Following the retirement of Mr. Zhou Rui, the Company only has two independent non-executive Directors, which falls below the minimum number requirement of independent non-executive Directors and that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10 and 3.21 of the Listing Rules respectively. The Company also only has two audit committee members which falls below the minimum number of committee members requirement under Rule 3.21 of the Listing Rules.

The remuneration committee of the Company currently does not have a chairman who is an independent non-executive Director as required under Rule 3.25 of the Listing Rules. The Board is in the process of identifying suitable candidate(s) to fill the vacancy of (i) the positions of independent non-executive Director, (ii) the member of the audit committee who satisfies the requirement under Rules 3.10(2) and 3.21 of the Listing Rules and (iii) the chairman of the remuneration committee as required under Rule 3.25 of the Listing Rules. The Company will use its best endeavours to ensure that the suitable candidate(s) is/are appointed as soon as possible and, in any event, within three months from the effective date of the retirement of Mr. Zhou Rui pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules. The Company will make further announcement(s) as and when appropriate.

On 30 Augest 2019 the Group already appointed Mr Zhou Rui as independent non-executive director in order to comply with respective rule and regulation.

CORPORATE GOVERNANCE

For the six months ended June 30, 2019, save as disclosed in this announcement, 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.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises 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 the six months ended June 30, 2019 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 review period.

On behalf of the Board
IDT International Limited
Zhu Yongning
Executive Director and Chief Executive Officer

Hong Kong, August 30, 2019

As at the date of this announcement,

1. The executive Directors is Mr. Zhu Yongning (Chief Executive Officer);

2. The non-executive Directors is Mr. Song Rongrong; and

3. The independent non-executive Directors are Mr. Zhou Meilin, Mr. Xu Jinwen and Mr. Zhou Rui.

Website: http://www.idthk.com

* *For identification purpose only*