TELEFIELD INTERNATIONAL (HOLDINGS) LIMITED
中 慧 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1143)

INTERIM RESULTS 2013 ANNOUNCEMENT

RESULTS HIGHLIGHTS

- Achieved revenue of HK$724.9 million, increased by 14.9% year over year
- Resolved the payment of an interim dividend of HK1.5 cents per share
- Despite an improvement in the results of the Distribution Business, profit attributable to shareholders fell mainly as a result of a drop in the profitability of the EMS Business

The board of directors (the "Board") of Telefield International (Holdings) Limited 中慧國際控股有限公司(the "Company") is pleased to announce the consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 (the "Period"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. The 2013 consolidated interim results of the Group have been reviewed by the Audit Committee and RSM Nelson Wheeler, auditors of the Company, and approved by the Board on 29 August 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Note	**Six months ended 30 June**	
		2013	2012
		HK$'000	*HK$'000*
	Note	**(unaudited)**	(unaudited)
Revenue	*3*	**724,889**	630,861
Cost of goods sold		**(571,351)**	(507,118)
Gross profit		**153,538**	123,743
Other income		**7,742**	5,089
Selling and distribution expenses		**(59,581)**	(46,161)
Administrative expenses		**(73,660)**	(59,423)
Other operating expenses		**(14,489)**	(12,440)
Profit from operations		**13,550**	10,808
Finance costs	*4*	**(6,551)**	(4,946)
Share of loss of an associate		**(1,121)**	–
Profit before tax		**5,878**	5,862
Income tax expense	*5*	**(123)**	(4,593)
Profit for the period	*6*	**5,755**	1,269
Other comprehensive income for the period, net of tax			
Items that will be reclassified to profit or loss:			
– Exchange differences on translating foreign operations		**1,594**	1,536
Total comprehensive income for the period		**7,349**	2,805
Profit/(loss) attributable to:			
Owners of the Company		**7,107**	12,592
Non-controlling interests		**(1,352)**	(11,323)
		5,755	1,269
Total comprehensive income attributable to:			
Owners of the Company		**8,657**	13,458
Non-controlling interests		**(1,308)**	(10,653)
		7,349	2,805
Earnings per share	*8*		
Basic (HK cents)		**1.73**	3.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	**30 June 2013** *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Non-current assets			
Fixed assets		**82,163**	83,716
Goodwill		**12,157**	12,157
Intangible assets		**60,363**	67,662
Investment in an associate		**2,948**	–
Deferred tax assets		**11,284**	12,174
		168,915	175,709
Current assets			
Inventories		**234,928**	270,249
Trade receivables	*9*	**220,922**	199,652
Prepayments, deposits and other receivables		**98,982**	51,610
Derivative instruments		**1,029**	–
Current tax assets		**2,927**	2,868
Bank and cash balances		**139,869**	161,808
		698,657	686,187
Current liabilities			
Trade payables	*10*	**155,875**	128,297
Accruals and other payables		**168,670**	191,719
Amounts due to non-controlling shareholders of subsidiaries		**6,220**	846
Bank borrowings		**86,634**	79,931
Financial liabilities at fair value through profit or loss		**6,094**	9,782
Derivative instruments		**–**	8,137
Product warranty provision		**16,951**	17,463
Current tax liabilities		**4,671**	4,678
		445,115	440,853
Net current assets		**253,542**	245,334
Total assets less current liabilities		**422,457**	421,043
Non-current liabilities			
Financial liabilities at fair value through profit or loss		**8,571**	9,515
License fee payable		**24,365**	22,364
Deferred tax liabilities		**22,862**	25,383
		55,798	57,262
NET ASSETS		**366,659**	363,781

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Capital and reserves		
Share capital	**4,117**	4,117
Reserves	**355,088**	356,905
Equity attributable to owners of the Company	**359,205**	361,022
Non-controlling interests	**7,454**	2,759
TOTAL EQUITY	**366,659**	363,781

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

a. Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the condensed consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

	Electronic Manufacturing Services ("EMS") *HK$'000* (unaudited)	Distribution Business: Telecommunications products ("TCP") *HK$'000* (unaudited)	Distribution Business: Multimedia products and computer accessories ("MPCA") *HK$'000* (unaudited)	Distribution Business: Gaming and Entertainment Products ("GEP") *HK$'000* (unaudited)	Distribution Business: Others *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
6 months ended 30 June 2013:						
Revenue from external customers	386,364	76,466	179,075	31,515	51,469	724,889
Intersegment revenue	35,863	–	–	–	43	35,906
Segment profit/(loss)	24,833	(222)	663	(2,885)	(6,979)	15,410
As at 30 June 2013:						
Segment assets	678,099	107,134	170,131	93,519	74,259	1,123,142
Segment liabilities	238,179	87,421	155,029	96,909	72,321	649,859
6 months ended 30 June 2012:						
Revenue from external customers	387,750	83,457	152,586	7,068	–	630,861
Intersegment revenue	72,188	–	–	–	–	72,188
Segment profit/(loss)	34,621	3,031	(9,423)	(10,498)	(2,634)	15,097
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
As at 31 December 2012:						
Segment assets	666,466	101,946	172,450	126,940	53,489	1,121,291
Segment liabilities	232,594	81,528	161,661	127,447	49,145	652,375

	Six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	2012 *HK$'000* (unaudited)
Reconciliations of segment profit or loss:		
Total profit or loss of reportable segments	**15,410**	15,097
Elimination of intersegment profits	**(8,411)**	(9,235)
Unallocated amount:		
Share of loss of an associate	**(1,121)**	–
Consolidated profit before tax for the period	**5,878**	5,862

4. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank loans interest	**811**	471
Interest on import/export loans	**248**	313
Interest on factoring loans	**3,490**	2,431
Other interest expense	**2,002**	1,731
	6,551	4,946

5. INCOME TAX EXPENSES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax	**3,060**	4,535
– Overseas	**(1,331)**	1,391
	1,729	5,926
Deferred tax	**(1,606)**	(1,333)
	123	4,593

Hong Kong Profits Tax has been provided at a rate of 16.5% (2012: 16.5%) based on the estimated assessable profit for the period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging/(crediting):

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in selling and distribution expenses)	**7,157**	6,473
Bad debt written off	**91**	19
Cost of goods sold		
Cost of inventories sold	**568,573**	495,839
Allowance for inventories	**13,768**	17,097
Reversal of allowance for inventories	**(10,990)**	(5,818)
	571,351	507,118
Loss on disposal of fixed assets	**155**	–
Interest income	**(403)**	(101)
Depreciation	**9,387**	8,766
Directors' emoluments		
As directors	**270**	270
For management	**3,370**	3,283
	3,640	3,553
Research and development expenditure	**14,181**	11,649
Exchange losses, net	**3,999**	3,428
Realised (gain)/loss on derivative instruments	**(711)**	771
Unrealised fair value gain on derivative instruments	**(1,007)**	(1,640)
Fair value gain on financial liabilities at fair value through profit or loss	**(816)**	(345)
Operating lease charges		
Land and buildings	**(10,077)**	8,450
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**128,246**	108,730
Retirement benefit scheme contributions	**5,752**	3,848
	133,998	112,578

Because of the change in market conditions of the Group's certain products, allowance made in prior periods against the inventories of HK$10,990,000 (2012: HK$5,818,000) was reversed during the Period.

7. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Final dividend for the year ended 31 December 2012 approved and paid – HK2.0 cents (2011: HK3.0 cents) per ordinary share	**8,234**	12,352
Proposed interim dividend – HK1.5 cents (2012: HK1.5 cents) per ordinary share	**6,176**	6,176
	14,410	18,528

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**7,107**	12,592
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**411,714,000**	411,714,000

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the two periods.

9. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. During the period, the credit term generally ranges from 30 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables as at the balance sheet date, based on invoice date, and net of allowance, is as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**205,564**	190,098
91 – 180 days	**12,057**	3,328
181 – 365 days	**2,816**	4,403
Over 365 days	**485**	1,823
	220,922	199,652

10. TRADE PAYABLES

The aging analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**138,787**	123,122
91 – 180 days	**5,518**	3,624
181 – 365 days	**7,719**	341
Over 365 days	**3,851**	1,210
	155,875	128,297

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Overview

During the reporting period, the global economy failed to realise significant improvement due to the modest pace of recovery in the United States and fragile condition of the Eurozone, which continued to be plagued by the economic and political turmoil of several member states. Moreover, China's GDP growth has slowed down for two consecutive quarters, leading to weakened consumer confidence. As a result, the profitability of the Group has inevitability been affected. For the six months ended 30 June 2013, the Group recorded total revenue of approximately HK$724.9 million (2012: HK$630.9 million). Gross profit amounted to approximately HK$153.5 million (2012: approximately HK$123.7 million), while gross profit margin was 21.2% (2012: 19.6%). Profit attributable to owners of the Company slipped to HK$7.1 million (2012: HK$12.6 million) owing to the decline in revenue and margin of the Electronic Manufacturing Services ("EMS") segment. Nonetheless, the Group's distribution business recorded an increase in revenue during the first six months in 2013, driven by greater contributions from TrekStor and GAEMS branded products.

The Group continued to maintain a healthy cash flow during the reporting period, with cash and cash equivalents of HK$139.9 million (2012: HK$161.8 million). The Board has resolved to declare an interim dividend payment of HK1.5 cents per ordinary share for the six months ended 30 June 2013.

Electronic Manufacturing Services Business

Revenue from the EMS Business amounted to HK$386.4 million (2012: HK$387.8 million), which is equivalent to 53.3% of the Group's total turnover (2012: 61.5%) for the reporting period.

Over the past six months, securing stable orders has been increasingly difficulty as consumer electronic brands were less decisive about their product launch plans. Despite the challenging environment, the management remained focused on bolstering the EMS business, which included steering this segment towards high-quality niche products for internationally renowned electronics brands. To moderate the impact of rising labour costs and appreciation of the Renminbi in the first half of 2013, increase automation and ongoing staff training were pursued.

Distribution Business

With an enhanced distribution network and strong product line-up, the distribution business generated HK$338.5 million (2012: HK$243.1 million) in revenue during the reporting period, representing a year-on-year rise of 39.2%. It is worth noting that TrekStor's eBook reader and tablet PC and GAEMS products all recorded satisfactory sales during the period, thus helping the distribution businesses to further grow.

(i) Telecommunications Products

As at 30 June 2013, revenue generated from the telecommunications products business, which is principally engaged in the distribution of small and medium business phone systems ("SMB phone systems") in the United States, reached HK$76.5 million (2012: HK$83.5 million).

(ii) Multimedia Products & Computer Accessories

This business segment recorded a 17.4% increase in turnover to HK$179.1 million (2012: HK$152.6 million). Contributing to the rise in revenue was the solid demand for the TrekStor eBook reader and tablet PC, which achieved a noticeable improvement in sales during the reporting period. The most advanced version of the TrekStor eBook reader was launched at the end of 2012, and was warmly received by consumers since the first quarter of 2013. Aside from the appeal of the reader, an expanded professional sales team and enhanced distribution network were the major factors that contributed to the healthy performance of this segment.

The management is also encouraged by the strong demand for the Group's Android-based tablet PC, which has continued to enjoy healthy uptake despite the fact that consumption sentiment remains unstable in the major market where the product is sold.

(iii) Gaming and Entertainment Products

During the reporting period, satisfactory sales growth in relation to gaming accessories products was achieved. This was mainly attributable to significant expansion of the distribution network along with other prominent electronic gaming retailers following the signing of a hardware licensing agreement with Microsoft.

By enhancing retail exposure and developing highly appealing products, the Group will be able to capitalise on greater market demand during the year end, which is traditionally the peak season.

(iv) Others

Having acquired 53% of the enlarged issued share capital of Fargo Telecom, a distributor and provider of wireless products and solutions in October 2012, the Group has benefited from greater technical expertise and opportunities to develop high-end niche communications products. The Group has also broadened its range of products and solutions to tap into the electronic audio products segment. In view of positive market response and satisfactory orders received since launch, the Group expects this new product segment will generate greater sales in the future.

Geographical Analysis

Revenue contributions from the major European countries (Germany, United Kingdom, Switzerland France and Italy) increased by 9.7% to HK$322.3 million (2012: HK$293.9 million), accounting for 44.5% of the Group's overall turnover for the six months ended 30 June 2013. The US market contributed HK$137.5 million (2012: HK$112.7 million) in revenue, equivalent to 19.0% of total turnover (2012: 17.9%). Revenue from the PRC (mainly Hong Kong) totalled HK$147.8 million, up by 39.5% year-on-year from HK$106.0 million in 2012, while for other countries, turnover drop by 0.9% to HK$117.3 million (2012: HK$118.3 million).

FINANCIAL HIGHLIGHTS

Turnover

Turnover of the Group amounted to HK$724.9 million for the Period, representing an increase of 14.9% from the same period last year.

Profitability and Margin

The gross profit of the Company increased from HK$123.7 million for the six months ended 30 June 2012 to HK$153.5 million for the Period, as a result of the increase in turnover recorded.

The other income increased from HK$5.1 million for the six months ended 30 June 2012 to HK$7.7 million for the reporting period derived mainly from the reversal of over-provisions for overseas custom duty upon the confirmation of the categorisation of the product.

The total operating expenses increased from HK$123.0 million for the six months ended 30 June 2012 to HK$154.3 million for the reporting period, include mainly the impact of the new business acquired in last quarter of 2012 and the increase in staff costs and selling commission totalling of HK$27.0 million.

The consolidated net profit attributable to owners of the Company was HK$7.1 million for the Period (2012: HK$12.6 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a sound financial and liquidity position during the reporting period. As at 30 June 2013, the Group maintained a balance of cash and cash equivalents of HK$139.9 million, the majority of which were denominated either in HK dollars or RMB with HK$50.4 million denominated in US dollars. The Group's current ratio reflects a strong position at 1.57 times.

As at 30 June 2013, total interest-bearing bank borrowings were HK$86.6 million comprised primarily of bank loans and import/export loans. These borrowings are all repayable within one year. The majority of these borrowings were denominated in Hong Kong dollars and EURO and the interest rate applied were primarily subject to floating rate terms.

The net decrease in cash and cash equivalents of HK$21.9 million was mainly due to funds used in investing activities, including acquisition of fixed assets of HK$7.8 million, net settlement of derivative instruments of HK$7.4 million and investment in an associate of HK$4.1 million.

As at 30 June 2013, the total equity attributable to owners of the Company amounted to HK$359.2 million. The Group had a net cash balance of HK$53.2 million representing total cash and cash equivalents less total interest-bearing bank borrowings such that no gearing ratio applies.

EXCHANGE RISK EXPOSURE

The majority of the Group's sales and purchases are denominated in US dollars, RMB and Euro. Due to the fact that the Hong Kong dollar is pegged to the US dollar, the Group's exposure to this foreign exchange risk is low. The Directors monitor the Group's foreign currency exposure closely and the Group keeps hedging its exposure to RMB by maintaining deposits in RMB in advance to fulfill its obligation of operating overhead in the production facilities in Mainland China and the use of foreign currency forward contracts to cover its exposure in Euro.

CAPITAL EXPENDITURE AND COMMITMENTS

During the period, the Group incurred total capital expenditures of approximately HK$7.8 million for the additions to fixed assets.

As at 30 June 2013, the capital commitments (for the acquisition of property, plant and machinery) contracted but not provided for by the Group amounted to HK$5.3 million.

CONTINGENT LIABILITIES

In 2011, a copyright collecting agency has unilaterally announced new copyright fees for certain products of the Group. Management estimated that the alleged claim from the copyright collecting agency at the end of the reporting period approximately HK$38.6 million (2012: HK$40.1 million). The chargeable rate is still pending for the agreement between the agency and the industry representatives, and should the negotiation fails, the chargeable rate will be determined by the Court in Germany. Based on the latest available information, the directors are of the opinion that it is not probable that the Group will be required to settle the relevant alleged claim in full value and provision has been duly made by the Group to cover the expected maximum liabilities pursuant to the best knowledge of the management.

During 2012 and up to the date of this announcement, there is a patent infringement claim lodged by E-Ink Corp against TrekStor GmbH, the indirectly owned subsidiary of the Group, seeking for an injunction against the sale of ebook reader (Pyrus and 4Ink) of TrekStor GmbH and for a compensation of HK$10.2 million (2012: HK$10.3 million). Based on the latest information, the management considers E-Ink's allegations are without merits and thus no provision for loss had been provided.

PLEDGE OF ASSETS

As at 30 June 2013, none of the Group's assets was pledged.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the Period, there was no material acquisition, disposal or investment by the Group.

HUMAN RESOURCES

As at 30 June 2013, the Group had approximately 2,800 employees in various operating units in Hong Kong, USA, Germany, Japan, India and PRC. In order to attract and retain high quality talents to ensure smooth operation and cater for the Group's constant expansion, it offers competitive remuneration packages, with reference to market conditions, individual qualifications and experience.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Scheme") on 31 December 2010. The Scheme shall be valid and effective for a period of ten years commencing from the date on which the Scheme was adopted, subject to the early termination provisions contained in the Scheme.

No option was granted during the Period and there were no outstanding options at 30 June 2013.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As at the date of this report, approximately HK$35.9 million were utilized for acquisitions of new brand businesses, approximately HK$23.9 million were utilized for the expansion of existing brand businesses, approximately HK$17.6 million for the expansion of production facilities, approximately HK$1.5 million were utilized for establishing overseas and PRC marketing offices, approximately HK$3.6 million for research and development offices, approximately HK$6.0 million for general working capital of the Group and the remaining balance of the net proceeds has been placed in certain financial institutions and licensed banks in Hong Kong as short-term deposits.

PROSPECTS

It is expected that the remaining financial year will continue to see instability in the global economy. Nonetheless, the management is cautiously optimistic about the Group's prospects in light of business development efforts previously made and efforts that continue to be made, as well as the rise in orders that usually accompany the second half year. Furthermore, the healthy growth of the distribution business and ongoing measures at shaving costs also bode well for the well-being of the Group going forward.

The Group will continue to bolster the distribution business as the management anticipates additional growth from this segment. In particular, the popularity of the TrekStor eBook reader and tablet PC has spurred the Group to develop this product to accommodate more markets, having thus far made an impact in Europe. Concurrently, with enhanced R&D capabilities, the Group will continue to develop wireless communication products for the communications segment and electronic audio products, which the management believes will become another major income contributor.

In respect of GAEMS, the popularity of this brand will serve as the catalyst for the Group to further penetrate the North American, European and Middle Eastern markets. Such penetration will be achieved through product development and establishment of ties with respective national retailers.

While the Group will look to consolidate its position in key markets, the management will not ignore the importance of exploring emerging markets in the Asia Pacific, where consumers have been enjoying greater affluence. Already with a sales centre in China and operation unit in India, these and future outposts will help support the Group's business interests in the coming years.

Also with the Group's long-term development in mind, the management will continue to explore potential M&A opportunities that lead to greater synergies with existing businesses and operations. The management firmly believes that once the global economic downturn subsides, the Group, through an all-encouraging approach to business development, will be able to make broad strides forward.

OTHER INFORMATION

Interim Dividend

The Board has declared an interim dividend of HK1.5 cents per ordinary share in respect of the Period, payable on 11 October 2013 to shareholders whose names appear on the register of members of the Company as at the close of business on 27 September 2013.

Closure of Register of Members

The register of members of the Company will be closed from 25 September 2013 to 27 September 2013, both days inclusive, during which period no transfer of shares will be effected.

To ensure the entitlement to the Interim Dividend, all transfers of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 24 September 2013.

Purchase, Sale or Redemption of Listed Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions from the Listing Date and up to the date of this interim report.

Corporate Governance

The Directors are of the opinion that the Company has complied with the Corporate Governance Code (the "Code") under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013, except for the deviation from code provision A.2.1 of the Code as described below.

Code Provision A.2.1

Under code provision A.2.1 of the Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive" and this is deviated from the code provision A.2.1 of the Code. Mr. Cheng Han Ngok Steve, who acts as both the chairman and the executive Director of the Company, is also responsible for overseeing the general operations of the Group. The Board meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive. The Board believes that this structure is conducive to strong consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility to comply with the said code provision. If compliance with the said provision is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive officer.

Audit Committee

The Audit Committee currently has three members comprising Dr. Kwan Pun Fong Vincent (Chairman), Mr. Au-Yang Cheong Yan Peter and Dr. Xue Quan, all being independent non-executive Directors. The composition and members of the Audit Committee complies with the requirements under Rules 3.21 of the Listing Rules.

The primary duties of the Audit Committee are mainly to review and supervise the financial reporting process and internal control system of the Group. A copy of the written terms of reference which describes the authority and duties of the Audit Committee has been posted to the Company's website and HKEx website.

The Audit Committee held two meetings during the reporting period. All members of the Audit Committee attended the meetings. The Audit Committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters.

On 29 August 2013, the Audit Committee met to review the unaudited Group financial statements for the reporting period in conjunction with the Company's external auditor and senior management before recommending them to the Board for consideration and approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
TELEFIELD INTERNATIONAL (HOLDINGS) LIMITED
Cheng Han Ngok Steve
Chairman

Hong Kong, 29 August 2013

As at the date of this announcement, the executive Directors are Cheng Han Ngok Steve, Poon Ka Lee Barry, Ng Kim Yuen, Fok Pui Yin and Lee Kai Bon, and the independent non-executive Directors are Au-Yang Cheong Yan Peter, Kwan Pun Fong Vincent and Xue Quan.