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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 2015 ANNOUNCEMENT

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 unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 (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 2015 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 24 August 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
	Note	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	767,281	818,846
Cost of goods sold		<u>(621,042)</u>	<u>(658,435)</u>
Gross profit		146,239	160,411
Other income		11,566	20,464
Selling and distribution expenses		(58,237)	(77,993)
Administrative expenses		(90,250)	(83,724)
Other operating expenses		<u>(33,052)</u>	<u>(24,742)</u>
Loss from operations		(23,734)	(5,584)
Finance costs	4	(6,207)	(7,916)
Share of profit of an associate		29	–
Share of loss of a joint venture		<u>(116)</u>	<u>(687)</u>
Loss before tax		(30,028)	(14,187)
Income tax expense	5	<u>(5,201)</u>	<u>(4,524)</u>
Loss for the period	6	(35,229)	(18,711)
Other comprehensive income for the period, net of tax			
<i>Item that will be reclassified to profit or loss:</i>			
– Exchange differences on translating foreign operations		<u>3,092</u>	<u>(990)</u>
Total comprehensive income for the period		<u><u>(32,137)</u></u>	<u><u>(19,701)</u></u>
(Loss)/profit attributable to:			
Owners of the Company		(4,789)	3,663
Non-controlling interests		<u>(30,440)</u>	<u>(22,374)</u>
		<u><u>(35,229)</u></u>	<u><u>(18,711)</u></u>
Total comprehensive income attributable to:			
Owners of the Company		(4,475)	2,768
Non-controlling interests		<u>(27,662)</u>	<u>(22,469)</u>
		<u><u>(32,137)</u></u>	<u><u>(19,701)</u></u>
(Loss)/earnings per share	8		
Basic (HK cents per share)		<u><u>(1.16)</u></u>	<u><u>0.89</u></u>
Diluted (HK cents per share)		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
<i>Note</i>	(unaudited)	(audited)
ASSETS		
Non-current assets		
Property, plant and equipment	104,744	105,050
Prepaid lease payments	7,054	7,001
Goodwill	3,471	3,471
Intangible assets	35,232	43,132
Investments in associates	2,432	2,403
Investment in a joint venture	–	134
Deferred tax assets	12,578	12,221
	<u>165,511</u>	<u>173,412</u>
Total non-current assets		
Current assets		
Inventories	232,458	290,143
Trade receivables	253,906	315,648
Prepayments, deposits and other receivables	86,077	116,236
Derivative financial assets	323	4,824
Amount due from a non-controlling shareholder of a subsidiary	358	1,257
Current tax assets	5,698	4,822
Bank and cash balances	157,999	185,752
	<u>736,819</u>	<u>918,682</u>
Total current assets		
	<u>902,330</u>	<u>1,092,094</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	4,117	4,117
Other reserves	355,922	365,639
	<u>360,039</u>	<u>369,756</u>
Non-controlling interests	(45,871)	(18,209)
	<u>314,168</u>	<u>351,547</u>
Total equity		
LIABILITIES		
Non-current liabilities		
Financial liabilities at fair value through profit or loss	1,353	646
License fee payable	17,988	16,474
Deferred tax liabilities	14,871	17,225
	<u>34,212</u>	<u>34,345</u>
Total non-current liabilities		

		30 June 2015	31 December 2014
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(audited)
Current liabilities			
Trade payables	10	153,515	280,502
Accruals and other payables		243,382	266,247
Amounts due to non-controlling shareholders of subsidiaries		609	1,798
Amount due to an associate		1,661	–
Other loans		8,635	–
Bank borrowings		100,320	117,075
Financial liabilities at fair value through profit or loss		–	3,428
License fee payable		9,545	9,963
Derivative financial liabilities		669	82
Product warranty provisions		22,240	21,885
Current tax liabilities		13,374	5,222
		<hr/>	<hr/>
Total current liabilities		553,950	706,202
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		902,330	1,092,094
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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 2014 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 2014 except for the addition of accounting policies of the share-based payments set out below.

Share-based payments

The Group issues equity-settled share-based payments to eligible persons. Equity-settled share-based payments to a director is measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

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

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 2015. 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.

The Group has not applied the new HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted by the Group when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods 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

	Distribution Businesses				Total HK\$'000 (unaudited)
	Electronic Manufacturing Services (“EMS”) HK\$'000 (unaudited)	Communications Products (“CP”) HK\$'000 (unaudited)	Multimedia Products and Computer Accessories (“MPCA”) HK\$'000 (unaudited)	Gaming Products and Toys (“GPT”) HK\$'000 (unaudited)	
6 months ended 30 June 2015:					
Revenue from external customers	436,026	110,118	187,421	33,716	767,281
Intersegment revenue	68,724	565	363	265	69,917
Segment profit/(loss)	31,249	(10,844)	(37,611)	(13,356)	(30,562)
As at 30 June 2015:					
Segment assets	809,531	161,288	155,592	65,868	1,192,279
Segment liabilities	293,659	138,708	224,731	112,358	769,456
Investments in associates	–	2,432	–	–	2,432
Investment in a joint venture	–	–	–	–	–
6 months ended 30 June 2014:					
Revenue from external customers	458,126	121,862	210,521	28,337	818,846
Intersegment revenue	79,485	817	30,655	–	110,957
Segment profit/(loss)	31,647	(4,369)	(25,187)	(11,491)	(9,400)
As at 31 December 2014:	(audited)	(audited)	(audited)	(audited)	(audited)
Segment assets	828,284	174,707	284,906	73,825	1,361,722
Segment liabilities	319,571	136,396	318,694	106,694	881,355
Investments in associates	–	2,403	–	–	2,403
Investment in a joint venture	134	–	–	–	134

3. REVENUE AND SEGMENT INFORMATION (CONT' D)

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Reconciliations of segment profit or loss:		
Total loss of reportable segments	(30,562)	(9,400)
Elimination of intersegment profits	1,118	174
Unallocated amounts:		
Impairment loss on amount due from an associate	(449)	(4,274)
Impairment loss on amount due from a joint venture	(48)	–
Share of profit of an associate	29	–
Share of loss of a joint venture	(116)	(687)
	<u>(30,028)</u>	<u>(14,187)</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank overdraft interest	27	5
Bank loans interest	1,058	1,777
Interest on import/export loans	637	492
Interest on factoring loans	2,276	3,193
Other loans interest	32	–
Other interest expense	2,177	2,449
	<u>6,207</u>	<u>7,916</u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax	6,257	4,030
– Overseas	1,456	3,334
	<u>7,713</u>	<u>7,364</u>
Deferred tax	(2,512)	(2,840)
	<u>5,201</u>	<u>4,524</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2014: 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. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in selling and distribution expenses)	6,465	6,721
Allowance for trade receivables, net	909	–
Bad debt written off of trade receivables	242	–
Bad debt written off of other receivables	8,195	–
Cost of goods sold		
Cost of inventories sold	616,601	649,738
Allowance for inventories	14,303	35,215
Reversal of allowance for inventories*	(9,862)	(26,518)
	621,042	658,435
Depreciation	11,587	9,803
Directors' emoluments		
As directors	270	270
For management	5,228	3,460
	5,498	3,730
Exchange losses, net	1,354	48
Impairment loss of amount due from an associate (included in other operating expenses)	449	4,274
Impairment loss of amount due from a joint venture (included in other operating expenses)	48	–
Loss/(gain) on financial liabilities at fair value through profit or loss	709	(3,516)
Loss on disposal of property, plant and equipment	116	–
Operating lease charges		
Land and buildings	11,528	11,008
Research and development expenditures	22,330	20,323
Staff costs including directors' emoluments		
Salaries, bonus and allowances	143,580	140,968
Retirement benefit scheme contributions	4,431	3,706
	148,011	144,674

* The Group makes allowance for inventories under respective aging criteria in different operating segments. The reversal of allowance represents the amount of inventories subsequently used in production or sold.

7. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend of HK\$0.015 for the year ended 31 December 2014 (31 December 2013: HK\$0.025) per ordinary share paid	6,176	10,293

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/ earnings per share is based on the following:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
(Loss)/profit attributable to owners of the Company, used in the basic earnings per share calculation	<u>(4,789)</u>	<u>3,663</u>
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	<u>411,714,000</u>	<u>411,714,000</u>

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2015. No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2014.

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 end of reporting period, based on invoice date, and net of allowance, is as follows:

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 90 days	224,126	302,141
91 – 180 days	20,425	7,835
181 – 365 days	4,973	589
Over 365 days	<u>4,382</u>	<u>5,083</u>
	<u>253,906</u>	<u>315,648</u>

10. TRADE PAYABLES

The aging analysis of trade payables as at the end of reporting period, based on invoice date, is as follows:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 – 90 days	141,840	251,580
91 – 180 days	7,760	583
181 – 365 days	1,567	26,317
Over 365 days	2,348	2,022
	153,515	280,502

11. EVENTS AFTER THE REPORTING PERIOD

References are made to the announcements of the Company dated 9 June 2015, 27 July 2015 and 11 August 2015 respectively and unless otherwise stated, capitalised terms used in this note shall have the same meanings as those defined in the abovementioned announcements.

(i) The Disposal Agreement

On 22 May 2015, the Company entered into the Disposal Agreement (as supplemented on 7 August 2015), pursuant to which the Company has conditionally agreed to sell the equity interests of a group of subsidiaries to Dragon Fortune International Limited (“Dragon Fortune”), a controlling shareholding of the Company, at a consideration of HK\$169,800,000. Completion of the Disposal is subject to a number of conditions. As at the date of this announcement, the Disposal has not yet been completed.

(ii) The Share Sale Agreement

On 22 May 2015, Dragon Fortune and Telefield Charitable Fund Limited (collectively, “Shares Vendors”) entered into the Share Sale Agreement with Power Port Holdings Limited (as supplemented on 7 and 11 August 2015), pursuant to which Power Port Holdings Limited conditionally agreed to purchase approximately 66.69% of the entire issued share capital of the Company from the Shares Vendors at an aggregate consideration of HK\$557,688,228. Completion of the Share Sale is subject to a number of conditions. As at the date of this announcement, the Share Sale has not yet been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

While the economy in the United States has continued to achieve progress, the spectre of a rise in interest rates by the Federal Reserve has invariably made companies more apprehensive towards replenishing their inventories. This apprehension is echoed overseas as the change in the status quo in the largest economy in the world invariably affects all major economies, filtering down to many industries and ultimately the general public. For the Group, it also had to contend with ongoing and stiff competition as well as a weak Euro against the US dollar, which resulted in the erosion of profits. Though the Electronic Manufacturing Services (“EMS”) business has continued to perform respectably, the distribution business was impacted relatively more directly by the challenging business environment.

For the six months ended 30 June 2015, the Group recorded total revenue of approximately HK\$767.3 million (2014: HK\$818.8 million). Gross profit totalled HK\$146.2 million (2014: HK\$160.4 million), while loss attributable to owners of the Company reached HK\$4.8 million (2014: profit of HK\$3.7 million).

The Group has continued to maintain a healthy cash flow during the reporting period, with cash and cash equivalents of HK\$158.0 million (2014: HK\$185.8 million).

Review of Operations

The EMS business generated revenue of HK\$436.0 million (2014: HK\$458.1 million) during the reporting period, and accounted for 56.8% of total revenue (2014: 55.9%). The dip in performance was mainly due to more cautious restocking practices initiated by its customers owing to the volatile and clouded global economy. The decline in performance was nonetheless moderated due to the management’s effective efforts at adjusting the Group’s product portfolio, which in turn ensured that the communications and non-communications products offered to customers were in line with their unique needs.

In respect of the distribution business, revenue of HK\$331.3 million (2014: HK\$360.7 million) was recorded for the period. A combination of factors contributed to the weakened performance, including lacklustre consumption sentiment in the United States and Europe as well as intense competition. Moreover, higher expenditures associated with greater sales deduction from its product warranty programme and allowable discounts all negatively affected the Group’s profit margin. With regards to the Group’s communications products in particular, a change in the organisation structure of one of its customers following a merger exercise resulted in a decline in demand, where as the distribution of high-end niche wireless communication products under Fargo Telecom performed stably. As for the multimedia products and computer accessories business, the Group has remained among the leading tablet PC brands in Germany by providing products that address consumers’ needs – as substantiated by the Volks-tablet PC and tablet PC with Microsoft Windows 8.1 Pro among other products, as well as by capitalising on an effective distribution network.

Geographical Analysis

Revenue contributions from the major European countries (Germany, the United Kingdom, Switzerland, Poland, France and Italy) totalled HK\$382.1 million (2014: HK\$338.6 million), and accounted for 49.8% of the Group's total turnover for the six months ended 30 June 2015 (2014: 41.4%). The United States market contributed HK\$129.6 million (2014: HK\$126.9 million) in revenue, and accounted for 16.9% of total turnover (2014: 15.5%). The PRC (mainly Hong Kong) and other countries accounted for HK\$129.5 million and HK\$126.1 million respectively (2014: HK\$209.6 million and HK\$143.7 million respectively).

FINANCIAL HIGHLIGHTS

Turnover

Turnover of the Group amounted to HK\$767.3 million for the Period, representing a decrease of 6.3% from the same period last year.

Profitability and Margin

The gross profit of the Company decreased from HK\$160.4 million for the six months ended 30 June 2014 to HK\$146.2 million for the Period, mainly as a result of the decrease in turnover achieved.

The other income decreased from HK\$20.5 million for the six months ended 30 June 2014 to HK\$11.6 million for the Period. The decrease is derived mainly from the drop in gain on derivative instruments and financial liabilities at fair value through profit or loss which is partly contra by the promotion support contributed by customers and the financial impact of non-recurring income recorded for the six months ended 30 June 2014 only in respect of discount on acquisition and compensation from suppliers.

The total operating expenses decreased from HK\$194.4 million for the six months ended 30 June 2014 to HK\$187.7 million for the Period. The decrease is caused mainly by the impact of decrease in advertising and promotion expenses which in turn contra by the full period of activities recorded for the new business acquired in June 2014 and the one-off legal and professional fees for the intended transactions as indicated in the holding announcements of the Company dated 9 June 2015, 27 July 2015 and 11 August 2015.

The consolidated loss attributable to owners of the Company was HK\$4.8 million for the Period (2014: profit of HK\$3.7 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a sound financial and liquidity position during the reporting period. As at 30 June 2015, the Group maintained a balance of cash and cash equivalents of HK\$158.0 million, the majority of which were denominated either in US dollars or RMB with HK\$29.7 million denominated in HK dollars. The Group's current ratio reflects a strong position at 1.33 times.

As at 30 June 2015, total interest-bearing bank borrowings were HK\$100.3 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 US dollars and the interest rate applied were primarily subject to floating rate terms.

During the six months period ended 30 June 2015, HK\$13.8 million was used in operating activities, whilst HK\$2.7 million were spent on investing activities and HK\$14.3 million used in financing activities respectively. The net cash outflow used in financing activities was mainly related to the net repayment of bank borrowings of HK\$16.7 million.

As at 30 June 2015, the total equity attributable to owners of the Company amounted to HK\$360.0 million. The Group had a net cash balance of HK\$57.7 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 in additions to property, plant and equipment of approximately HK\$11.8 million.

As at 30 June 2015, the capital commitments (for the acquisition of property, plant and machinery) contracted but not provided for by the Group amounted to HK\$3.4 million.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group has the following material contingent liabilities:

- (a) the Group has two (At 31 December 2014: three) patent infringement claims lodged by E-Ink Corp. against one of its subsidiaries, seeking for an injunction against the sale of ebook reader and for a compensation of approximately HK\$8.6 million (At 31 December 2014: HK\$9.4 million). One of the two patent infringement claims was suspended by the Mannheim Court pending the outcome of the appeal by E-Ink Corp. in the Federal Patent court of Germany, whilst the second patent claim was currently subject to the review of an expert appointed by the Mannheim Court in regard to its validity;
- (b) a copyright collecting agency has unilaterally announced copyright fees for certain storage products and multimedia products of the Group sold in Germany. The Directors estimated that the alleged claims from the copyright collecting agency were approximately HK\$39.8 million (At 31 December 2014: HK\$44.6 million) and HK\$98.7 million (At 31 December 2014: HK\$95.7 million) respectively;
- (c) an insolvency administrator of one of the Group's customers has claimed against the Group for an amount of approximately HK\$3.5 million which the Group considered had already settled by netting off the said balance with trade receivables from the same customer; and
- (d) a supplier of a subsidiary of the Company has alleged that the Company should be liable to a sum of HK\$20.3 million pursuant to a corporate guarantee provided by the Company to the said supplier for the said subsidiary, in consequence of the alleged breach of contract on the part of the said subsidiary. The management considers this allegation is without merits.

PLEDGE OF ASSETS

As at 30 June 2015, 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 2015, the Group had approximately 2,550 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.

On 22 January 2015, the Company granted a total of 4,117,140 share options to Mr. Poon Ka Lee, Barry, an Executive Director (the "Optionholder") to subscribe for up to 4,117,140 ordinary shares of HK\$0.01 each in the share capital of the Company at an exercise price of HK\$0.65 per share (the "Share Options"). The estimated fair value of the Share Options granted on grant date is approximately HK\$934,000.

The summary details of options granted are as follows:

Grantee	Date of grant	Option Period	Number of share options					Balance as at 30 June 2015	Exercise Price per share
			Balance as at 1 January 2015	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period		
Poon Ka Lee Barry	22 Jan 2015	22 Jan 2015 to 21 Jan 2025	-	4,117,140	-	-	-	4,117,140	HK\$0.65
			-	4,117,140	-	-	-	4,117,140	

As disclosed in the joint announcement published by the Company and the Power Port Holdings Limited on 11 August, 2015 (the "August Announcement"), the Optionholder has on 21 May 2015 executed a letter of undertaking to undertake that, among other things,

- at any time from the date of the Share Sale Agreement up to the Share Sale Completion, the Optionholder will not exercise any outstanding Share Options;
- the Optionholder will not accept any general offer on the Share Options; and

- (c) if the Optionholder exercises any Share Options during the period between Share Sale Completion and the close of the Offer pursuant to the terms of the Takeovers Code, the Optionholder will ensure and procure that all the Shares to be issued to him pursuant thereto will be and will remain to be legally and beneficially owned by him from the date of exercise of the Share Options up to and including the close of the Offer pursuant to the terms of the Takeovers Code and the Optionholder will not accept any Offer.

Unless defined otherwise, capitalized terms used in this announcement shall have the same meanings as those defined in the August Announcement.

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

The remaining half year will continue to pose many of the same challenges that the Group faced during the review period. And while the United States economy continues to make positive steps forward, there remain other countries that have started to falter; a clear example is the PRC where the local government has projected GDP growth of approximately 7% for 2015 – the lowest growth rate in 25 years. Consequently, still greater anxieties will be experienced among businesses and the general public in the foreseeable future.

Though the near and mid-term outlook remains unstable, the Group has prepared to open a new chapter in its development in order to achieve long-term growth. Given that many of the distribution businesses (“Disposal Group”) were loss making during the last financial year, with some having been in loss making positions for several years, the Group and its major shareholder, Dragon Fortune International Limited (“Dragon Fortune”), entered into a Disposal Agreement on 22 May 2015 (as supplemented on 7 August 2015), pursuant to which the Group has conditionally agreed to sell and Dragon Fortune has conditionally agreed to purchase the Disposal Group at a consideration of HK\$169,800,000. The Group believes that the disposal should lead to enhanced performance of the Group going forward.

Upon Disposal Completion becoming unconditional, the Group will be in a position to transform into a more streamlined state and be even more focused on the EMS business, an area that has long served as the foundation for its development. Specifically, it will continue to be engaged in the distribution of business phone systems under the RCA brand. Leveraging the manufacturing facilities located in Guangzhou, major products manufactured under the EMS business will include electronic consumer products such as residential and business phones, beauty consumer products, home appliances and appliance control products.

With the Group now in the process of transitioning into a more rationalised form, the management is cautiously optimistic about its future development. The cash proceeds from the disposal are expected to be applied towards general working capital requirements of the Group and any other investment and business opportunities that may arise in the market from time to time that is considered value-enhancing to Shareholders and/or otherwise in the best interests of the Group. Hence, while the business environment will remain challenging, the Group is well prepared to take up the challenges ahead.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of interim dividend for the Period.

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 2015.

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 throughout the six months ended 30 June 2015 and up to the date of this interim results announcement.

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 2015, 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.

On 24 August 2015, 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, 24 August 2015

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.