# 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 2012 ANNOUNCEMENT

**RESULTS HIGHLIGHTS**

- Achieved revenue of HK$630.9 million, increased by 5.4% year over year
- Resolved the payment of an interim dividend of HK1.5 cents per share
- Proceeds were applied in accordance with the prospectus of the Company date 14 January 2011

The board (the "Board") of directors (the "Directors") of Telefield International (Holdings) Limited (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 2012 (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 2012 consolidated interim results of the Group have been reviewed by the audit committee and auditors of the Company, and approved by the Board on 29 August 2012.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2012*

| | Note | Six months ended 30 June 2012 HK$'000 (unaudited) | 2011 HK$'000 (unaudited) |
|---|---|---|---|
| **Revenue** | 3 | **630,861** | 598,350 |
| Cost of goods sold | | **(507,118)** | (482,357) |
| **Gross profit** | | **123,743** | 115,993 |
| Other income | | **5,089** | 11,093 |
| Selling and distribution expenses | | **(46,161)** | (41,214) |
| Administrative expenses | | **(59,423)** | (37,690) |
| Other operating expenses | | **(12,440)** | (18,326) |
| **Profit from operations** | | **10,808** | 29,856 |
| Finance costs | 4 | **(4,946)** | (3,852) |
| **Profit before tax** | | **5,862** | 26,004 |
| Income tax expenses | 5 | **(4,593)** | (3,849) |
| **Profit for the period** | 6 | **1,269** | 22,155 |
| **Other comprehensive income for the period, net of tax** | | | |
| Exchange differences on translating foreign operations | | **1,536** | (1,302) |
| **Total comprehensive income for the period** | | **2,805** | 20,853 |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **12,592** | 26,913 |
| Non-controlling interests | | **(11,323)** | (4,758) |
| | | **1,269** | 22,155 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **13,458** | 27,040 |
| Non-controlling interests | | **(10,653)** | (6,187) |
| | | **2,805** | 20,853 |
| **Earnings per share** | 8 | | |
| Basic (HK cents) | | **3.06** | 6.83 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2012*

| | Note | **30 June 2012 *HK$'000* (unaudited)** | 31 December 2011 *HK$'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | **74,356** | 75,803 |
| Goodwill | | **12,157** | 12,157 |
| Intangible assets | | **65,556** | 72,662 |
| Deferred tax assets | | **4,796** | 5,841 |
| | | **156,865** | 166,463 |
| **Current assets** | | | |
| Inventories | | **202,801** | 209,565 |
| Trade and bill receivables | *9* | **143,166** | 182,220 |
| Prepayments, deposits and other receivables | | **56,298** | 61,647 |
| Derivative instruments | | **1,640** | 1,532 |
| Amount due from a shareholder | | **–** | 200 |
| Current tax assets | | **775** | 2,147 |
| Bank and cash balances | | **154,374** | 147,756 |
| | | **559,054** | 605,067 |
| **Current liabilities** | | | |
| Trade payables | *10* | **101,120** | 144,477 |
| Accruals and other payables | | **148,523** | 148,205 |
| Financial liabilities at fair value through profit or loss | | **8,950** | 9,023 |
| Bank borrowings | | **50,981** | 51,880 |
| Product warranty provision | | **18,068** | 15,906 |
| Current tax liabilities | | **4,065** | 3,834 |
| | | **331,707** | 373,325 |
| **Net current assets** | | **227,347** | 231,742 |
| **Total assets less current liabilities** | | **384,212** | 398,205 |
| **Non-current liabilities** | | | |
| Financial liabilities at fair value through profit or loss | | **6,375** | 10,063 |
| License fee payable | | **20,451** | 18,721 |
| Deferred tax liabilities | | **18,958** | 21,446 |
| | | **45,784** | 50,230 |
| **NET ASSETS** | | **338,428** | 347,975 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 30 June 2012*

| | **30 June 2012** *HK$'000* **(unaudited)** | 31 December 2011 *HK$'000* (audited) |
|---|---|---|
| **Capital and reserves** | | |
| Share capital | **4,117** | 4,117 |
| Reserves | **352,912** | 351,806 |
| Equity attributable to owners of the Company | **357,029** | 355,923 |
| Non-controlling interests | **(18,601)** | (7,948) |
| **TOTAL EQUITY** | **338,428** | 347,975 |

# 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 2011 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 2011.

## 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 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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 Period and prior years.

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

| | | Distribution Businesses | | | |
|---|---|---|---|---|---|
| | **Electronic Manufacturing Services ("EMS")** | **Telecommunications products ("TCP")** | **Multimedia products and computer accessories ("MPCA")** | **Others** | **Total** |
| | *HK$'000* (unaudited) | *HK$'000* (unaudited) | *HK$'000* (unaudited) | *HK$'000* (unaudited) | *HK$'000* (unaudited) |
| **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) | (13,132) | 15,097 |
| **As at 30 June 2012:** | | | | | |
| Segment assets | 599,675 | 118,056 | 115,102 | 88,179 | 921,012 |
| **6 months ended 30 June 2011:** | | | | | |
| Revenue from external customers | 404,088 | 77,427 | 116,835 | – | 598,350 |
| Intersegment revenue | 50,901 | – | – | – | 50,901 |
| Segment profit/(loss) | 37,383 | 1,392 | (7,800) | – | 30,975 |
| | (audited) | (audited) | (audited) | (audited) | (audited) |
| **As at 31 December 2011:** | | | | | |
| Segment assets | 620,263 | 111,947 | 131,904 | 93,243 | 957,357 |

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Reconciliation of segment profit or loss:** | | |
| Total profit or loss of reportable segments | **15,097** | 30,975 |
| Elimination of intersegment profits | **(9,235)** | (4,971) |
| Consolidated profit before tax for the period | **5,862** | 26,004 |

## 4. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Bank overdraft interest | **–** | 6 |
| Bank loans interest | **471** | 535 |
| Interest on import/export loans | **313** | 157 |
| Interest on factoring loans | **2,431** | 2,018 |
| Other interest expense | **1,731** | 1,136 |
| | **4,946** | 3,852 |

## 5. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Current tax | | |
| – Hong Kong Profits Tax | **4,535** | 3,587 |
| – Overseas | **1,391** | 559 |
| | **5,926** | 4,146 |
| Deferred tax | **(1,333)** | (297) |
| | **4,593** | 3,849 |

Hong Kong Profits Tax has been provided at a rate of 16.5% (2011: 16.5%) based on 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 stated after charging/(crediting) the following:

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Amortisation of intangible assets (included in selling and distribution expenses) | **6,473** | 3,654 |
| Allowance for receivables | **–** | 1,173 |
| Bad debt written off | **19** | 1,339 |
| Cost of goods sold | | |
| Cost of inventories sold | **495,839** | 477,374 |
| Allowance for inventories | **17,097** | 7,941 |
| Reversal of allowance for inventories | **(5,818)** | (2,958) |
| | **507,118** | 482,357 |
| Interest income | **(101)** | (103) |
| Depreciation | **8,766** | 6,777 |
| Directors' emoluments | | |
| As directors | **270** | 270 |
| For management | **3,283** | 2,854 |
| | **3,553** | 3,124 |
| Research and development expenditure | **11,649** | 10,866 |
| Exchange losses/(gain), net | **3,428** | (5,025) |
| Fair value (gain)/loss on derivative instruments | **(1,640)** | 3,197 |
| Fair value gain on financial liabilities at fair value through profit or loss | **(345)** | (3,224) |
| Operating lease charges | | |
| Land and buildings | **8,450** | 5,928 |
| Staff costs including directors' emoluments | | |
| Salaries, bonus and allowances | **108,730** | 90,344 |
| Retirement benefit scheme contributions | **3,848** | 2,292 |
| | **112,578** | 92,636 |

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

## 7. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Final dividend for the year ended 31 December 2011 approved and paid – HK3.0 cents (2010: HK1.8 cents) per ordinary share | **12,352** | 7,411 |
| Proposed interim dividend – HK1.5 cent (2011: HK2.0 cents) per ordinary share | **6,176** | 8,234 |
| | **18,528** | 15,645 |

## 8. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Earnings** | | |
| Profit attributable to owners of the Company, used in the basic earnings per share calculation | **12,592** | 26,913 |
| **Number of shares** | | |
| Weighted average number of ordinary shares used in basic earnings per share calculation | **411,714,000** | 394,242,884 |

In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2011, the 10,000 shares issued due to the Group Reorganisation during the year ended 31 December 2010 and 299,990,000 shares to be issued pursuant to the Capitalisation Issue have been regarded as if these shares were in issue since 1 January 2010. Further details of the Group Reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix VI to the prospectus of the Company dated 14 January 2011 (the "Prospectus").

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

## 9. TRADE AND BILL RECEIVABLES

| | | 30 June 2012 | 31 December 2011 |
|---|---|---|---|
| | | *HK$'000* | *HK$'000* |
| | | (unaudited) | (audited) |
| Trade receivables | *Note* | **143,166** | 172,934 |
| Bill receivables | | **–** | 9,286 |
| | | **143,166** | 182,220 |

*Note:*

The Group's trading terms with customers are mainly on credit. During the period, the credit term generally range 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 Group's aging analysis of trade receivables, based on invoice date, and net of allowance, is as follows:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (audited) |
| 0 – 90 days | **131,312** | 166,392 |
| 91 – 180 days | **4,573** | 3,960 |
| 181 – 365 days | **4,822** | 1,702 |
| Over 365 days | **2,459** | 880 |
| | **143,166** | 172,934 |

## 10. TRADE PAYABLES

The Group's aging analysis of trade payables, based on invoice date, is as follows:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (audited) |
| 0 – 90 days | **95,268** | 140,714 |
| 91 – 180 days | **3,291** | 2,182 |
| 181 – 365 days | **781** | 402 |
| Over 365 days | **1,780** | 1,179 |
| | **101,120** | 144,477 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

### Overview

During the latest reporting period, the Group continued to operate under challenging conditions, principally as a result of the European sovereign-debt crisis and sluggish economic growth in the United States. For the six months ended 30 June 2012, the Group recorded a total revenue of HK$630.9 million, compared with HK$598.4 million for the same period last year. Gross profit amounted to HK$123.7 million (2011: HK$116.0 million), while gross profit margin stood at 19.6% (2011: 19.4%). The Group's profit attributable to owners of the Company slid to HK$12.6 million (2011: HK$26.9 million) for the Period. The decrease was due to the share of loss by the Company totaling HK$8.3 million (2011: nil) from the new operations outside Hong Kong and the drop in profit of other business segments totaling HK$6.0 million included mainly our EMS business causing by the rising labour and raw materials cost. The loss from the new operations was arising from i) increased continuing expenses incurred on developing G.A.E.M.S. Inc ("GAEMS") which had not yet fully expanded its distribution network and completed the development of its new models leading to a share of loss of HK$5.3 million; ii) China sales network expansion including setting up a sales centre in Shanghai and development of e-commerce platform incurring a loss of HK$1.2 million; and iii) a new operation in India resulting to a share of loss of HK$1.8 million.

Nevertheless, the Group maintained a healthy financial strength during the Period, and with cash and cash equivalents of HK$154.4 million as at 30 June 2012 (31 December 2011: HK$147.8 million).

### Electronics Manufacturing Services (EMS) Business

Leveraging the Group's edge in niche market products, the EMS business remain steady despite the challenging market conditions, generating a turnover of HK$387.8 million (2011: HK$404.1 million), accounting for 61.5% of total turnover (2011: 67.5%).

Having expanded into niche markets to capitalise on higher margins, the Group identified and developed new products to tap such markets, and the efforts have begun to bear fruit. In particular, additional electronics wellness products (beauty, health and baby care products) contributed to a rise in turnover during the Period while also broadening the Group's internationally renowned customer base.

### Distribution Businesses

With an established distribution network and strong product line-up, revenue from distribution businesses topped HK$243.1 million, for a year-on-year rise of 25.1% (2011: HK$194.3 million).

#### *(i) Telecommunications Products*

For the telecommunications business, which is principally engaged in the distribution of small and medium business phone systems ("SMB phone systems") revenue reached HK$83.5 million, accounting for 13.2% of total revenue (2011: 12.9%). During the review period, the Group sought to further extend its distribution reach not only within North America, but also to Latin America.

### *(ii) Multimedia Products & Computer Accessories*

As at the reporting period, this area of operation recorded a turnover of HK$152.6 million (2011: HK$116.8 million), representing a year-on-year increase of 30.6%. Contributing to the rise in revenue was a solid demand for the TrekStor eBook reader, which has continued to enjoy rising sales since its debut back in October 2010. However, the impact of seasonal factors, the European sovereign-debt crisis, and the initial investment cost in developing its China distribution network, resulted in an overall operating loss of this segment during the Period of HK$9.4 million (2011: HK$7.8 million). By expanding the professional sales team and distribution network, as well as ongoing optimisation of business operations, and reaping the harvest of resources allocated to the development of the new eBook reader model in the second half of the year, the management expects that this segment should be able to turn around its results for the whole year.

### *(iii) Others*

During the period under review, the Group continued to identify ways to accelerate the growth of its gaming accessories distribution business. The first half of the year represents the traditional season of slow-demand for the consumer electronics market, and particularly for the electronic gaming market. Nonetheless, the Group remained focused on expanding its distribution network to include major electronic gaming retailers and continued developing advanced new models under the GAEMS product line. The licensing arrangement with Microsoft is further strengthening its marketing network. The management believes that these products and additional retail channels will enable the Group to tap a greater market demand during the peak season in the later months of the year, and thus generate a satisfactory result.

### Geographical Analysis

For the six months ended 30 June 2012, total revenue from the major European countries (Germany, United Kingdom, Switzerland and Italy) remain steady at HK$270.5 million (2011: HK$271.5 million) accounting for 42.9% of the Group's total turnover. Revenue from the US increase by 7.7% to HK$112.7 million (2011: HK$104.7 million), representing 17.9% of the total turnover. Revenue from PRC (mainly Hong Kong) record at a decrease of HK$8.8 million to HK$106.0 million (2011: HK$114.8 million). As for other countries, turnover rose by 32.0% to HK$141.7 million (2011: HK$107.4 million).

## FINANCIAL HIGHLIGHTS

### Turnover

Turnover of the Group amounted to HK$630.9 million for the Period, representing an increase of 5.4% from the same period last year.

### Profitability and Margin

The gross profit of the Company increased from HK$116.0 million for the six months ended 30 June 2011 to HK$123.7 million for the Period, as a result of the increase in turnover recorded.

The other income decreased from HK$11.1 million for the six months ended 30 June 2011 to HK$5.1 million for the Period as a result of the decrease in gain in exchange differences of HK$5.0 million.

The total operating expenses increased from HK$101.1 million for the six months ended 30 June 2011 to HK$123.0 million for the Period, include mainly the impact of the increase in staff cost totaling of HK$14.0 million resulting from the expansion of the business and the expense of exchange loss HK$3.4 million which was mainly derived from the assets denominated in foreign currency of the Group as of 30 June 2012.

The consolidated net profit attributable to owners of the Company was HK$12.6 million for the Period (2011: HK$26.9 million).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a sound financial and liquidity position during the Period. As at 30 June 2012, the Group maintained a balance of cash and cash equivalents of HK$154.4 million, the majority of which were denominated either in HK dollars or RMB with HK$64.6 million denominated in US dollars. The Group's current ratio reflects a strong position at 1.69 times.

As at 30 June 2012, total interest-bearing bank borrowings were HK$51.0 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 increase in cash and cash equivalents of HK$6.6 million was mainly due to funds generated from operations and increase in bank borrowings.

As at 30 June 2012, the total equity attributable to owners of the Company amounted to HK$357.0 million. The Group had a net cash balance of HK$103.4 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$7.3 million for the additions to fixed assets.

As at 30 June 2012, the Group had contracted but not provided for capital commitments, mainly for the acquisition of plant and equipment, of HK$1.5 million.

## CONTINGENT LIABILITIES

Up to 30 June 2012, the Company was aware that a copyright collecting agency had unilaterally announced new copyright fees for certain products of the Group, management estimated that the relevant alleged claim is approximately HK$8.4 million (2011: HK$7.0 million). 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.

## PLEDGE OF ASSETS

As at 30 June 2012, 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 2012, 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 2012.

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

The proceeds from the Company's issue of new shares (including shares issued on the exercise of over allotment option) for listing on the Stock Exchange in January 2011, after deduction of related expenses, amounted to approximately HK$119.6 million. The Group intends to apply the net proceeds for the purposes as set out in the section Future Plans and Use of Proceeds in the prospectus of the Company dated 14 January 2011. As at 30 June 2012, approximately HK$35.9 million were utilized for acquisitions of new brand businesses, approximately HK$23.9 million were utilized for the expansion of 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 was placed in certain financial institutions and licensed banks in Hong Kong as short-term deposits.

## PROSPECTS

Though the Eurozone sovereign-debt crisis remains unresolved and slow economic growth persists in the US, the Group's proven strategies of focusing on niche markets and diversified business development will help its operations overcome the uncertain conditions. Moreover, the management remains cautiously optimistic about the prospects of improved performance in view of a rise in orders in the second half of the year.

The Group will place a greater emphasis on its gaming accessories distribution business. It has reached an agreement with Microsoft in late May of this year that will see the GAEMS Sentry and Vanguard Personal Gaming Environments (PGE™) officially certified for use with the Xbox 360®, as well as available for purchase at designated Xbox 360® retailers and expanded outlets in North America, Europe and the Middle East. The Group will seek to leverage this agreement and the expanded market presence to further promote sales as well as the GAEMS brand name. In addition, the management will look to bolster ties with Microsoft by way of developing more products, which would also benefit GAEMS.

Market diversification will continue to be a key growth strategy as well. Considering the growing affluence of consumers in emerging markets across the Asia-Pacific region, the Group will devise appropriate strategies to extend its presence in these areas. Having established a sales centre in Shanghai, PRC while developing an EMS operation in India, the Group is currently exploring the possibility of expanding its distribution network in China and in other Asian countries.

The Group will also seek to enrich its niche product portfolio, and thus better cater for different market needs. For example, the new model of the TrekStor eBook reader, which incorporates the contemporary technology providing users with a more comfortable reading experience, is scheduled for launch in the second half of the year. Meanwhile, the newly launched VoIP SMB Phone System – under the telecommunications segment – will provide a unified communications solution for small and medium-sized enterprises.

Despite uncertain market conditions, the Group will further evaluate suitable merger & acquisition opportunities that create synergies with existing operations and are beneficial to its long-term business development. In early August 2012, the Group signed a Letter of Intent regarding the proposed acquisition of a target company, which is a distributor and product developer of wireless products and peripherals. This company is also a provider of end-to-end wireless connectivity solutions and technical support in Asia and other territories, hence a potentially strong complementary addition to the Group's current business.

Looking ahead, the management believes that through its current diversified business development strategy supported by sound fundamentals and stringent cost controls, the Group will not only weather the global economic storm but also emerge stronger as a result, and will benefit from market consolidation.

## 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 28 September 2012 to shareholders whose names appear on the register of members of the Company as at the close of business on 21 September 2012.

### Closure of Register of Members

The register of members of the Company will be closed from 19 September 2012 to 21 September 2012, 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 18 September 2012.

### 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 2012.

**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 code provisions set out in the Code on Corporate Governance Practice (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "Revised Code") (together the "Code") under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012, 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 the chairman and the executive Director of the Company, is also responsible for overseeing the general operations of the Group. The Board will 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. The written terms of reference which describes the authority and duties of the Audit Committee have been revised by the Board on 30 March 2012 to conform to the provisions of the Revised Code, a copy of which is posted to the Company's website and HKEx website.

The Audit Committee held three meetings during the 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 2012, the Audit Committee met to review the unaudited Group financial statements and reports for the 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 disclosure have been made.

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

Hong Kong, 29 August 2012

*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.*