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 2014 ANNOUNCEMENT

RESULTS HIGHLIGHTS

- Achieved revenue of HK$818.8 million, increased by 13.0% year over year
- Resolved the payment of an interim dividend of HK1.5 cents per share
- Despite an improvement in the results of the EMS Business, profit attributable to shareholders fell mainly as a result of a drop in the profitability of the Distribution Businesses

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 2014 (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 2014 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 28 August 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Revenue	3	**818,846**	724,889
Cost of goods sold		**(658,435)**	(571,351)
Gross profit		**160,411**	153,538
Other income		**20,464**	7,742
Selling and distribution expenses		**(77,993)**	(59,581)
Administrative expenses		**(83,724)**	(73,660)
Other operating expenses		**(24,742)**	(14,489)
(Loss)/profit from operations		**(5,584)**	13,550
Finance costs	4	**(7,916)**	(6,551)
Share of loss of an associate		**–**	(1,121)
Share of loss of a joint venture		**(687)**	–
(Loss)/profit before tax		**(14,187)**	5,878
Income tax expense	5	**(4,524)**	(123)
(Loss)/profit for the period	6	**(18,711)**	5,755
Other comprehensive income for the period, net of tax			
Items that will be reclassified to profit or loss:			
– Exchange differences on translating foreign operations		**(990)**	1,594
Total comprehensive income for the period		**(19,701)**	7,349
(Loss)/profit attributable to:			
Owners of the Company		**3,663**	7,107
Non-controlling interests		**(22,374)**	(1,352)
		(18,711)	5,755
Total comprehensive income attributable to:			
Owners of the Company		**2,768**	8,657
Non-controlling interests		**(22,469)**	(1,308)
		(19,701)	7,349
Earnings per share	8		
Basic (HK cents)		**0.89**	1.73

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Note	**30 June 2014** ***HK$'000*** **(unaudited)**	31 December 2013 *HK$'000* (audited)
Non-current assets			
Fixed assets		**103,222**	76,703
Goodwill		**8,311**	8,311
Intangible assets		**52,081**	55,425
Investment in an associate		**–**	–
Investment in a joint venture		**88**	–
Deferred tax assets		**11,439**	10,884
		175,141	151,323
Current assets			
Inventories		**267,449**	292,956
Trade receivables	*9*	**261,952**	420,770
Prepayments, deposits and other receivables		**131,544**	94,029
Derivative instruments		**140**	–
Amount due from a joint venture		**10**	–
Amount due from a non-controlling shareholder of a subsidiary		**1,686**	2,454
Current tax assets		**1,123**	1,143
Bank and cash balances		**137,482**	183,138
		801,386	994,490
Current liabilities			
Trade payables	*10*	**203,986**	318,240
Accruals and other payables		**213,782**	229,291
Amounts due to non-controlling shareholders of subsidiaries		**2,703**	4,203
Bank borrowings		**99,489**	111,813
Financial liabilities at fair value through profit or loss		**5,687**	3,476
License fee payable		**6,222**	6,867
Derivative instruments		**–**	6,119
Product warranty provision		**20,223**	19,343
Current tax liabilities		**8,931**	5,128
		561,023	704,480
Net current assets		**240,363**	290,010
Total assets less current liabilities		**415,504**	441,333
Non-current liabilities			
Financial liabilities at fair value through profit or loss		**1,337**	9,929
License fee payable		**21,594**	19,777
Deferred tax liabilities		**19,908**	21,237
		42,839	50,943
NET ASSETS		**372,665**	390,390

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and reserves		
Share capital	**4,117**	4,117
Reserves	**369,246**	373,677
Equity attributable to owners of the Company	**373,363**	377,794
Non-controlling interests	**(698)**	12,596
TOTAL EQUITY	**372,665**	390,390

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 2013 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 2013.

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 2014. 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. 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") *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)	**Total** *HK$'000* (unaudited)
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)	41,138	(4,369)	(29,461)	(11,491)	(4,183)
As at 30 June 2014:					
Segment assets	779,581	178,552	234,071	99,328	1,291,532
Segment liabilities	304,710	141,867	230,412	124,603	801,592
6 months ended 30 June 2013 (restated):					
Revenue from external customers	386,364	116,011	188,039	34,475	724,889
Intersegment revenue	35,863	43	–	–	35,906
Segment profit/(loss)	20,795	(1,620)	1,606	(5,371)	15,410
At 31 December 2013 (restated):					
Segment assets	793,699	167,913	393,786	114,661	1,470,059
Segment liabilities	328,746	132,134	358,901	128,222	948,003

3. REVENUE AND SEGMENT INFORMATION (CONT' D)

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(restated and unaudited)
Reconciliations of segment profit or loss:		
Total (loss)/profit of reportable segments	**(4,183)**	15,410
Elimination of intersegment profits	**(9,317)**	(8,411)
Unallocated amounts:		
Share of loss of an associate	**–**	(1,121)
Share of loss of a joint venture	**(687)**	–
Consolidated (loss)/profit before tax for the period	**(14,187)**	5,878

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank overdraft interest	**5**	–
Bank loans interest	**1,777**	811
Interest on import/export loans	**492**	248
Interest on factoring loans	**3,193**	3,490
Other interest expense	**2,449**	2,002
	7,916	6,551

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax	**4,030**	3,060
– Overseas	**3,334**	(1,331)
	7,364	1,729
Deferred tax	**(2,840)**	(1,606)
	4,524	123

Hong Kong Profits Tax has been provided at a rate of 16.5% (2013: 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)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in selling and distribution expenses)	**6,721**	7,157
Bad debt written off	**4,290**	91
Cost of goods sold		
Cost of inventories sold	**649,738**	568,573
Allowance for inventories	**35,215**	13,768
Reversal of allowance for inventories*	**(26,518)**	(10,990)
	658,435	571,351
Depreciation	**9,803**	9,387
Directors' emoluments		
As directors	**270**	270
For management	**3,460**	3,370
	3,730	3,640
Exchange losses, net	**48**	3,999
Loss on disposal of fixed assets	**–**	155
Operating lease charges		
Land and buildings	**11,008**	10,077
Research and development expenditure	**20,323**	14,181
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**140,968**	128,246
Retirement benefit scheme contributions	**3,706**	5,752
	144,674	133,998

* 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	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Final dividend for the year ended 31 December 2013 approved and paid – HK2.5 cents (2012: HK2.0 cents) per ordinary share	**10,293**	8,234
Proposed interim dividend – HK1.5 cents (2013: HK1.5 cents) per ordinary share	**6,176**	6,176
	16,469	14,410

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**3,663**	7,107
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 end of reporting period, based on invoice date, and net of allowance, is as follows:

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**237,132**	387,681
91 – 180 days	**5,050**	25,835
181 – 365 days	**17,509**	5,764
Over 365 days	**2,261**	1,490
	261,952	420,770

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 2014	31 December 2013
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**162,182**	312,898
91 – 180 days	**36,367**	3,160
181 – 365 days	**3,626**	588
Over 365 days	**1,811**	1,594
	203,986	318,240

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Overview

During the reporting period, despite the global economy experiencing a gradual recovery, the retail market remains sluggish and a conservative consumer attitude persists especially in the United States and Europe as competition is becoming more intense. For the six months ended 30 June 2014, the Group recorded total revenue of approximately HK$818.8 million (2013: HK$724.9 million). Gross profit amounted to approximately HK$160.4 million (2013: approximately HK$153.5 million). Profit attributable to owners of the Company slipped to HK$3.7 million (2013: HK$7.1 million). Nonetheless, despite the Group's Electronic Manufacturing Services ("EMS") and distribution businesses recording an increase in revenue during the first six months in 2014, concerns about operating expenses and labour costs persist. As a result, the performance of the distribution segment has been adversely affected, in turn reducing the profitability of the Group during the Period.

The Group has continued to maintain a healthy cash flow during the reporting period, with cash and cash equivalents of HK$137.5 million (2013: HK$183.1 million). The Board of Directors has resolved to declare an interim dividend payment of HK1.5 cents per ordinary share for the six months ended 30 June 2014.

Electronic Manufacturing Services Business

Although customers are expected to launch major products in the second half of the year, revenue from the EMS business grew steadily compared to the corresponding period of last year with an increase of 18.6% to HK$458.1 million (2013: HK$386.4 million), equivalent to 55.9% of the Group's total turnover (2013: 53.3%) for the reporting period.

The Group's strategy continues to be increasing the business, while closely controlling production costs. The Group is planning to boost its technical prowess and production processes to meet the stricter customer requirements. In this way production efficiency can be improved to better prepare to focus on high-quality niche products demanded by famous international electronics brands.

Distribution Businesses

The Group's bolstered distribution network and revamped product offerings enabled the distribution businesses to generate HK$360.7 million (2013: HK$338.5 million) in revenue during the reporting period despite the slow retail market recovery in the United States. In addition to fiercer competition, the product warranty programme and inventory provision, and higher advertising and marketing costs also reduced profit margins in the distribution businesses.

(i) Communications Products

For the six months ended 30 June 2014, revenue generated from the communications products business, reached HK$121.9 million (2013: HK$116.0 million) with the increasing contribution from the distribution of high-end niche wireless communication products under Fargo Telecom in addition to the distribution of small and medium business phone systems ("SMB phone systems") in the United States.

(ii) Multimedia Products and Computer Accessories

During the reporting period, the multimedia products and computer accessories business achieved a turnover of HK$210.5 million (2013: HK$188.0 million). Highlights of the newly unveiled products were the Volks-tablet PC and a tablet PC designed for a leading German telephone service provider. The Group has retained its position as one of the top tablet PC brands in Germany, and has maintained its leading role through its strong distribution network and continuing to implement a winning strategy that resonates with the market.

(iii) Gaming Products and Toys

Aiming to boost the distribution business of its gaming products and toys, the Group has expanded its distribution channels through a closer partnership with a video game and entertainment products retailer in the United States that it has been working with since the end of 2012. The Group is tapping that partner's nationwide retail network to distribute products. At the same time, the Group is also seeking to raise brand awareness of the GAEMS product series in the United States market.

Geographical Analysis

Revenue contributions from the major European countries (Germany, the United Kingdom, Switzerland, France and Italy) recorded a turnover of HK$306.0 million (2013: HK$322.3 million), accounting for 37.4% of the Group's overall turnover for the six months ended 30 June 2014. The US market contributed HK$126.9 million (2013: HK$137.5 million) in revenue, equivalent to 15.5% of total turnover (2013: 19.0%). Revenue from the PRC (mainly Hong Kong) totalled HK$209.6 million, (2013: HK$147.8 million) while for other countries, turnover was HK$176.3 million (2013 HK$117.3 million).

FINANCIAL HIGHLIGHTS

Turnover

Turnover of the Group amounted to HK$818.8 million for the Period, representing an increase of 13.0% from the same period last year.

Profitability and Margin

The gross profit of the Company increased from HK$153.5 million for the six months ended 30 June 2013 to HK$160.4 million for the Period, as a result of the increase in turnover recorded.

The other income increased from HK$7.7 million for the six months ended 30 June 2013 to HK$20.5 million for the Period. The increase is derived mainly from the increasing fair value gain on financial liabilities and realised profit on realisation of derivative instruments and the compensation from suppliers plus the discount on acquisition of a new subsidiary during the Period.

The total operating expenses increased from HK$154.3 million for the six months ended 30 June 2013 to HK$194.4 million for the Period, include mainly the impact of new businesses acquired in last year and the second quarter of 2014 and the increase of staff cost and the increased spendings in advertising and promotion expenses.

The consolidated profit attributable to owners of the Company was HK$3.7 million for the Period (2013: HK$7.1 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a sound financial and liquidity position during the reporting period. As at 30 June 2014, the Group maintained a balance of cash and cash equivalents of HK$137.5 million, the majority of which were denominated either in US dollars or RMB with HK$14.4 million denominated in HK dollars. The Group's current ratio reflects a strong position at 1.43 times.

As at 30 June 2014, total interest-bearing bank borrowings were HK$99.5 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$45.6 million was mainly due to funds used in investing activities, including acquisition of fixed assets of HK$10.8 million and acquisition of subsidiaries and non-controlling interests of HK$12.1 million. The position was further affected with the net repayment of bank borrowings of HK$12.3 million and dividends paid of HK$11.2 million which represented the net cash outflow used in financing activities.

As at 30 June 2014, the total equity attributable to owners of the Company amounted to HK$373.4 million. The Group had a net cash balance of HK$38.0 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 fixed assets of approximately HK$36.5 million, of which HK$25.7 million was through acquisition of subsidiaries.

As at 30 June 2014, the capital commitments (for the acquisition of property, plant and machinery) contracted but not provided for by the Group amounted to HK$4.7 million.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group has a patent infringement claim 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$10.6 million (2013: HK$10.7 million). The management considers E-Ink Corp.'s allegations are without merits and thus no provision for loss had been provided.

A copyright collecting agency has unilaterally announced copyright fees for certain storage products of the Group sold in Germany. Management estimated that the alleged claim from the copyright collecting agency at the end of reporting period is approximately HK$54.4 million (2013: HK$53.9 million). Based on the latest information and legal opinion, the directors are of the opinion that it is highly improbable that the Group is required to pay the relevant copyright fees.

A copyright collecting agency has unilaterally announced copyright fees for certain multimedia products sold by the Group in Germany. Management estimated that the alleged claim from the copyright collecting agency at the end of the reporting period is approximately HK$66.8 million (2013: HK$57.7 million). After considering the opinion of a legal advisor, management is of the opinion that the unilaterally announced copyright rate is excessive and the provisions has been duly made by the Group to cover the expected maximum liabilities pursuant to the best knowledge of the management.

PLEDGE OF ASSETS

As at 30 June 2014, none of the Group's assets was pledged.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the Period, the Group obtained 83% control of Falcom GmbH ("Falcom") by subscribing newly allotted ordinary shares of Falcom and acquiring existing shares from existing shareholders at a total cash consideration of HK$4.4 million. Falcom was engaged in design, development and production of automatic vehicle location tracking system and asset tracking products during the Period.

In addition, the Group also acquired 51% interests in a land and building in India upon the purchase of 51% equity share interests of Lucky Century International Limited (refer to our announcement dated 14 January 2014) at a total cash consideration of HK$12.4 million.

Apart from the aforesaid transactions, there was no material acquisition, disposal or investment by the Group.

HUMAN RESOURCES

As at 30 June 2014, 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 2014.

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

While indicators of global economic recovery are improving, especially in the United States, ongoing issues particularly production and labour costs still present obstacles to the progress of many manufacturers. Against the backdrop of opportunities and challenges, the Group remains positive about its prospects largely due to the expected rise in orders during the festive period in the second half year. The Group's strategies for the EMS and distribution businesses aimed at creating synergies among operations that facilitate sustainable growth and improve profitability.

As tablet PCs have enjoyed increasing popularity in Europe, particularly in Germany, the Group will leverage its proven technological capability to introduce more leading-edge products and solutions. In particular, new products with 4G functions and a new operating system will debut in the second half of the year. At the same time, the Group will tap the resources of Fargo Telecom to develop telecommunication products for a market segment that has provided increasingly greater revenue.

The GAEMS brand will offer an even wider product range in the coming months as new devices are set for introduction that have already generated a preliminary favourable market response. The Group believes that the unique design and functions of upcoming products will not only attract retail distribution giants in the United States as partners, but also further expand sales networks elsewhere, such as Australia and Europe during the upcoming financial period. Besides, the Group's active participation in gaming exhibitions will spur interest among the target customers in the wider line-up of GAEMS products and further enhance brand recognition.

The Group expects that the economic situation in the United States and Europe will gradually improve during the second half of 2014. On the one hand, the Group will redouble its efforts to control operating expenditures in all areas to improve efficiency and profitability. On the other hand, besides aiming to maintain reasonable growth in the developed markets, the Group will continue its expansion into emerging markets such as China and India as well as create synergies between online and physical retail stores particularly in China. Based on its history of steady growth over the years, the management remains confident that the growth will continue through formulating and executing effective strategies, which include developing an innovative product portfolio, extending its business network and forging healthy business ties, all of which are clearly progressing smoothly.

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 10 October 2014 to shareholders whose names appear on the register of members of the Company as at the close of business on 22 September 2014.

Closure of Register of Members

The register of members of the Company will be closed from 18 September 2014 to 22 September 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm on 17 September 2014.

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 2014.

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 2014 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 2014, 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 three meetings during the reporting period. 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 28 August 2014, 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, 28 August 2014

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.