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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in TELEFIELD INTERNATIONAL (HOLDINGS) LIMITED, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)**

**(I) MAJOR AND CONNECTED TRANSACTION  
AND SPECIAL DEAL IN RELATION TO  
THE SALE AND PURCHASE OF NOBLE TREASURE;  
(II) CONTINUING CONNECTED TRANSACTIONS AND  
SPECIAL DEAL IN RELATION TO MASTER SALE AGREEMENT;  
AND  
(III) NOTICE OF EGM**

Financial adviser

**VEDA | CAPITAL**  
**智 略 資 本**

**Independent financial adviser to the Independent Board Committee and  
Independent Shareholders**

 **大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

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Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 29 of this circular. A letter from Mesis Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Disposal, the Master Sale Agreement and transactions contemplated thereunder is set out on pages 30 to 51 of this circular.

A notice convening the EGM to be held at Longchamps Room, 3/F, Regal Kowloon Hotel, 71 Mody Road, Tsim Sha Tsui, Hong Kong on Friday, 25 September 2015 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

9 September 2015

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Affonso”	Affonso Limited, a company incorporated in the BVI with limited liability of the Company
“Affonso Group”	Affonso and its subsidiaries
“Alagona”	Alagona Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Alagona Group”	Alagona and its subsidiaries
“associate”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are open for business, other than:–  (i) a Saturday or a Sunday; or  (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands
“Calibre”	Calibre Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Calibre Group”	Calibre and its subsidiaries
“Century Win”	Century Win Industrial Limited, interested in as to approximately 53.68% by Mr. Cheng and as to approximately 46.32% by Mrs. Cheng

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## DEFINITIONS

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“Company”	Telefield International (Holdings) Limited 中慧國際控股有限公司, a company incorporated under the laws of Cayman Islands with limited liability (Stock code: 1143)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Corporate Guarantees”	the Disposal Group Guarantee and Remaining Group Guarantee
“Corporate Reorganisation”	the transfer of the entire issued share capital in each of Affonso, Alagona, Calibre, Macar and Phoenix Choice to Noble Treasure
“Corporate Reorganisation Completion”	the completion of the Corporate Reorganisation
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire issued share capital of Noble Treasure (after Corporate Reorganisation Completion) by the Company to Dragon Fortune
“Disposal Agreement”	the conditional agreement dated 22 May 2015 entered into between the Company and Dragon Fortune in relation to the Disposal (as supplemented on 7 August 2015)
“Disposal Completion”	the completion of the Disposal
“Disposal Completion Date”	within 5 Business Days after the day on which the last of the Disposal Conditions are fulfilled or waived (as the case may be) or such later date as the Company and Dragon Fortune may agree in writing
“Disposal Conditions”	the conditions to Disposal Completion as set out under the subsection headed “Disposal Conditions” under the section headed “2. THE DISPOSAL – MAJOR AND CONNECTED TRANSACTION AND SPECIAL DEAL” in this circular

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## DEFINITIONS

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“Disposal Consideration”	consideration payable by Dragon Fortune for the purchase of the entire issued share capital of Noble Treasure (after Corporate Reorganisation Completion) and the Sale Loan under the Disposal Agreement, being HK\$169,800,000
“Disposal Group”	Noble Treasure and its subsidiaries upon Corporate Reorganisation Completion
“Disposal Group Guarantee”	the guarantees and indemnities provided by the Company in favour of certain financial institutions for the benefits of certain members of the Disposal Group before the date when the Offeror’s nominees have been appointed as the new Directors
“Disposal Longstop Date”	31 October 2015 (or such later date as agreed by the Company and Dragon Fortune)
“Dragon Fortune”	Dragon Fortune International Limited, an investment holding company incorporated in Hong Kong with limited liability and is interested in as to approximately 59.25% of the issued Shares, also being one of the Shares Vendors and the purchaser under the Disposal
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among others, the Disposal, the Master Sale Agreement and the transactions contemplated thereunder
“EMS”	electronic manufacturing services
“EMS Products”	wireless communication products, audio equipment products and other relevant electronic products and ancillary parts sold by the Remaining Group to the Disposal Group
“Encumbrances”	any pledge, charge, lien (otherwise than arising by statute or operation of law), option, other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale and purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the same

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Gajah International”	Gajah International Pte Ltd, a supplier of TrekStor
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Au-Yang Cheong Yan Peter, Kwan Pun Fong Vincent and Xue Quan, which has been established to advise the Independent Shareholders on the Disposal, the Master Sale Agreement and the Offer (if they are made)
“Independent Financial Adviser” or “Mesis Capital”	Mesis Capital Limited, the independent financial adviser to advise (i) the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the Master Sale Agreement and transactions contemplated thereunder; and (ii) the Independent Board Committee in respect of the Offer
“Independent Shareholder(s)”	Shareholder(s) other than (i) Dragon Fortune, Telefield Charitable, Mr. Cheng, Mrs. Cheng, Century Win, Other Vendor Shareholders, LIL, Xinrong Fund, their respective associates and parties acting in concert with any of them; and (ii) those who are interested in or involved in the Disposal, the Corporate Reorganisation, the Master Sale Agreement, the Share Sale and/or the Offer
“Joint Announcement”	the announcement dated 11 August 2015 jointly issued by the Company and the Offeror in relation to, among other things, the Disposal, the Master Sale Agreement, the Share Purchase Agreement and the Offer
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO

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## DEFINITIONS

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“Latest Practicable Date”	7 September 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LIL”	Landing International Limited, the controlling shareholder of Landing International Development Limited, whose shares are listed on the Main Board with stock code 582
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macar”	Macar Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Macar Group”	Macar and its subsidiaries
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Master Sale Agreement”	the master electronics manufacturing services agreement dated 7 August 2015 between Noble Treasure and Telefield Holdings in relation to the provision of EMS Products by the Remaining Group to the Disposal Group (as supplemented on 7 September 2015)
“Mr. Cheng”	Mr. Cheng Han Ngok Steve, an executive Director and chairman of the Company and ultimately interested in approximately 53.30% in each of Dragon Fortune and Telefield Charitable
“Mrs. Cheng”	Ms. Ma Mei Han, Elite, wife of Mr. Cheng
“Noble Treasure”	Noble Treasure Holdings Limited (尚寶控股有限公司), a company incorporated in BVI and is directly holding the entire issued share capital of each of Affonso, Alagona, Calibre, Macar and Phoenix Choice
“Noble Treasure Shares”	the entire issued shares of Noble Treasure

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## DEFINITIONS

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“Offer”	the possible mandatory unconditional cash offer to be made by Kingston Securities on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code
“Offer Share(s)”	Share(s) not already owned or agreed to be acquired by the Offeror or parties acting in concert with it
“Offeror”	Power Port Holdings Limited, a company incorporated in the BVI with limited liability, which is wholly and beneficially owned by Mr. Yang Zhihui
“Other Vendor Shareholders”	Lee Kai Bon, Ng Kim Yuen, Fok Pui Yin, Sum Kwok Fai, Wong Sik Hung, Chiu King Yim, Ko Mee Ling, Tam Kam Fong and Poon Ka Lee Barry
“Phoenix Choice”	Phoenix Choice Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Phoenix Choice Group”	Phoenix Choice and its subsidiaries
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RCA”	a trademark managed by Technicolor Inc.
“Remaining Group”	being the Company and its subsidiaries upon Disposal Completion
“Remaining Group Guarantees”	means guarantees and indemnities provided by the Company in favour of certain financial institutions for the benefits of certain members of the Group before the date when the Offeror’s nominees have been appointed as the new Directors
“Sale Loan”	the net amount owed by the Disposal Group to the Remaining Group as at the Disposal Completion



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## DEFINITIONS

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“Sale Shares”	an aggregate of 274,588,000 Shares, representing approximately 66.69% of the entire issued share capital of the Company as at the date of the Share Sale Agreement, to be acquired by the Offeror from the Shares Vendors pursuant to the terms and conditions of the Share Sale Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Sale”	the sale and purchase of the Sale Shares pursuant to the Share Sale Agreement
“Share Sale Agreement”	the conditional agreement dated 22 May 2015 entered into between the Shares Vendors and the Offeror in relation to the Share Sale (as supplemented on 7 and 11 August 2015)
“Share Sale Completion”	the completion of the Share Sale Agreement pursuant to the terms and conditions contained therein
“Shares Vendors”	Dragon Fortune and Telefield Charitable
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Telefield Charitable”	Telefield Charitable Fund Limited, a charitable organization incorporated in Hong Kong and is interested in as to approximately 7.44% of the issued Shares, also being one of the Shares Vendors
“Telefield Holdings”	Telefield Holdings Limited, a company incorporated in BVI and a direct wholly owned subsidiary of the Company

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## DEFINITIONS

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“TrekStor”	TrekStor GmbH, a non-wholly owned subsidiary of the Company and the Disposal Group upon Corporate Reorganisation Completion
“TrekStor Dispute”	the dispute between TrekStor and Gajah International, in relation to a sum of USD2,604,070.8 (equivalent to approximately HK\$20,311,752.24) and Gajah International’s allegation against the Company that the Company should be liable to the said sum of USD2,604,070.8 (equivalent to approximately HK\$20,311,752.24) pursuant to the TrekStor Guarantee
“TrekStor Guarantee”	the corporate guarantee and indemnity in terms satisfactory to the Offeror to be given by TrekStor in favour of the Company and the Offeror in relation to the TrekStor Previous Guarantee and the TrekStor Dispute on or before Sale Share Completion
“TrekStor Previous Guarantee”	the corporate guarantee provided by the Company to Gajah International Pte Ltd for TrekStor, pursuant to the terms of letter of guarantee dated 18 August 2011
“Xinrong Fund”	Xinrong Fund Limited, a limited liability company incorporated in the Cayman Islands, which is a loan note subscriber of LIL and a third party independent of the Group and its connected persons
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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LETTER FROM THE BOARD

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**Telefield**  
**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)**

*Executive Directors:*

Mr. Cheng Han Ngok Steve  
Mr. Poon Ka Lee Barry  
Mr. Ng Kim Yuen  
Ms. Fok Pui Yin  
Mr. Lee Kai Bon

*Registered office:*

Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Independent non-executive Directors:*

Mr. Au-Yang Cheong Yan Peter  
Dr. Kwan Pun Fong Vincent  
Dr. Xue Quan

*Head Office and Principal Place  
of Business in Hong Kong:*

Units 609-610  
6/F, Bio-Informatics Centre  
No. 2 Science Park West Avenue  
Hong Kong Science Park  
Shatin, New Territories  
Hong Kong

9 September 2015

*To the Shareholders*

Dear Sir or Madam,

**(I) MAJOR AND CONNECTED TRANSACTION  
AND SPECIAL DEAL IN RELATION TO  
THE SALE AND PURCHASE OF NOBLE TREASURE;  
AND  
(II) CONTINUING CONNECTED TRANSACTIONS AND  
SPECIAL DEAL IN RELATION TO MASTER SALE AGREEMENT**

**1. INTRODUCTION**

The Company and the Offeror jointly announced on 11 August 2015, among other things, that:

- (i) On 22 May 2015, the Shares Vendors and the Offeror entered into the Share Sale Agreement (as supplemented on 7 and 11 August 2015), pursuant to which (i) the Offeror has conditionally agreed to purchase the 274,588,000 Sale Shares, representing approximately 66.69% of the entire issued share capital of the

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## LETTER FROM THE BOARD

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Company as at the Latest Practicable Date and the date of the Share Sale Agreement;

(ii) Dragon Fortune has conditionally agreed to sell 243,942,000 Sale Shares and Telefield Charitable has conditionally agreed to sell 30,646,000 Sales Shares, representing approximately 59.25% and 7.44% respectively of the entire issued share capital of the Company, free from all Encumbrances and together with all rights attaching thereto with effect from the Share Sale Completion, including all rights to any dividend or other distribution declared, made or paid on or after the date of Share Sale Completion. The Share Sale Completion is conditional upon, among other things, the Disposal Agreement having been duly executed and becoming unconditional in all respects (save for the condition that the Share Sale Completion having taken place);

(ii) On 22 May 2015, the Company and Dragon Fortune entered into the Disposal Agreement (as supplemented on 7 August 2015), pursuant to which the Company has conditionally agreed to sell and Dragon Fortune has conditionally agreed to purchase the entire issued share capital of Noble Treasure, which will hold a group of companies and subsidiaries and collectively being the Disposal Group upon the Corporate Reorganisation Completion, at a consideration of HK\$169,800,000. The Disposal Completion is conditional upon fulfillment or waiver of the conditions specified in the Disposal Agreement and as described under the subsection headed “Disposal Conditions” under the section headed “2. THE DISPOSAL – MAJOR AND CONNECTED TRANSACTION AND SPECIAL DEAL” below. The Disposal Agreement following its becoming unconditional will be completed simultaneously with the Share Sale Agreement; and

(iii) On 7 August 2015, Telefield Holdings, a member of the Remaining Group and Noble Treasure, a member of the Disposal Group entered into the Master Sale Agreement pursuant that upon Disposal Completion and Share Sale Completion, the Remaining Group has agreed to provide various EMS Products and services (including sourcing and procurement, production and after-sales services) to the Disposal Group, for which the Remaining Group shall produce, assemble, test, label, package and deliver the EMS Products in accordance with the specifications ordered by the Disposal Group, subject to and upon the terms and conditions of the Master Sale Agreement (as supplemented on 7 September 2015).

The purpose of this circular is to provide you with, inter alia, (i) further information of the proposed Disposal and the Master Sale Agreement; (ii) the recommendation from the Independent Board Committee; (iii) the advice from Messis Capital in respect of the terms of the Disposal and the Master Sale Agreement; (iv) other information as required by the Listing Rules; and (v) notice of the EGM to be convened for the purpose of considering and, if thought fit, approving, by way of poll the proposed Disposal and the Master Sale Agreement and the respective transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### 2. THE DISPOSAL – MAJOR AND CONNECTED TRANSACTION AND SPECIAL DEAL

#### **The Disposal Agreement**

##### *Date*

22 May 2015 (as supplemented on 7 August 2015)

##### *Parties*

- (i) the Company, as vendor; and
- (ii) Dragon Fortune, as purchaser.

Dragon Fortune is an investment holding company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, Dragon Fortune is interested in 243,942,000 Shares, representing approximately 59.25% of the total number of issued Shares of the Company. Dragon Fortune is interested as to approximately 53.3% by Century Win which in turn is interested as to approximately 53.68% by Mr. Cheng and as to approximately 46.32% by Mrs. Cheng. The 46.7% interests in each of Dragon Fortune and Telefield Charitable are held by nine individuals as to approximately 8.64% by Lee Kai Bon, an executive Director, as to approximately 8.64% by Ng Kim Yuen, an executive Director, as to approximately 6.495% by Fok Pui Yin, an executive Director, as to approximately 6.495% by Sum Kwok Fai, as to approximately 5.19% by Wong Sik Hung, as to approximately 3.46% by Chiu King Yim, as to approximately 3.02% by Ko Mee Ling, as to approximately 3.02% by Tam Kam Fong and as to approximately 1.74% by Poon Ka Lee, Barry, an executive Director.

##### *Subject matter*

Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell and Dragon Fortune has conditionally agreed to purchase the entire issued share capital of Noble Treasure (after Corporate Reorganisation Completion) and the Sale Loan. Noble Treasure Shares shall be acquired free from all Encumbrances and together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Disposal Completion Date.

##### *Disposal Consideration*

The aggregate Disposal Consideration for Noble Treasure Shares and the Sale Loan shall be HK\$169,800,000 payable by Dragon Fortune to the Company in full in cash upon the Disposal Completion. The consolidated net liability value of the Disposal Group and the consolidated net liability value attributable to the owners of the Disposal Group as at 31 December 2014, based on the audited financial information of the Disposal Group for the year ended 31 December 2014, were about HK\$77.6 million and about HK\$63.2 million respectively. As at 31 December 2014, the Sale Loan amounted to approximately HK\$231.0 million.

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## LETTER FROM THE BOARD

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### *Disposal Conditions*

The Disposal Completion is conditional upon:

- (i) the passing by the Independent Shareholders of an ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;
- (ii) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder as a special deal under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the Disposal Completion;
- (iii) no indication having been received on or before the Disposal Completion Date from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Main Board will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of the terms of the Disposal Agreement; and
- (iv) the simultaneous Share Sale Completion.

None of the Disposal Conditions set out above can be waived by Dragon Fortune or the Company.

If the Disposal Conditions have not been fulfilled on or before the Disposal Longstop Date, the Disposal Agreement shall terminate with immediate effect, and neither party shall have any rights or obligations against the other under the Disposal Agreement except for any antecedent breach.

As at the Latest Practicable Date, none of the Disposal Conditions above have been fulfilled.

### *Disposal Completion*

The Disposal Completion shall take place within 5 Business Days after (but excluding) the day on which all the Disposal Conditions are fulfilled or waived (as the case may be), or at such other time as may be agreed by the Company and Dragon Fortune.

Subject to the satisfaction of the above Disposal Conditions, Disposal Completion shall take place simultaneously with Share Sale Completion.

Following the Disposal Completion and the Corporate Reorganisation Completion, the Company will cease to hold any interest in Affonso, Alagona, Calibre, Macar and Phoenix Choice, and Affonso, Alagona, Calibre, Macar and Phoenix Choice will cease to be subsidiaries of the Company.

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## LETTER FROM THE BOARD

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### *Information of the Disposal Group*

Upon the Corporate Reorganisation Completion, Noble Treasure, Affonso, Alagona, Calibre, Macar and Phoenix Choice will be the Disposal Group and will be purchased by Dragon Fortune at the Disposal Consideration of HK\$169,800,000.

The Disposal Group's businesses include (i) distribution of wireless communication products such as wireless modems and truck tracking devices; (ii) distribution of multimedia products and computer accessories; (iii) distribution of gaming products and toys; and (iv) contractual manufacturing business of hotel amenities products.

Noble Treasure is an investment holding company incorporated in the BVI with limited liability established for the purpose of the Corporate Reorganisation. Noble Treasure is a direct wholly-owned subsidiary of the Company.

Affonso is an investment holding company incorporated in the BVI with limited liability. The Affonso Group is principally engaged in contractual manufacturing business of hotel amenities products in India.

Alagona is an investment holding company incorporated in the BVI with limited liability. The Alagona Group is principally engaged in the distribution of multimedia products and computer accessories in Europe and the PRC.

Calibre is an investment holding company incorporated in the BVI with limited liability. The Calibre Group is principally engaged in the distribution of (i) wireless communication products such as wireless modems and truck tracking devices; and (ii) professional amplifier with speaker products, in Asia and the USA.

Macar is an investment holding company incorporated in the BVI with limited liability. The Macar Group is principally engaged in the distribution of gaming products and toys in Europe and the USA.

Phoenix Choice is an investment holding company incorporated in the BVI with limited liability. The Phoenix Choice Group is principally engaged in property investment in India.

### *Undertaking*

Pursuant to the Disposal Agreement, the Company and Dragon Fortune shall procure that all corporate guarantees provided by the Company to the Disposal Group or similar obligations given or incurred by the Company shall be unconditionally and absolutely released upon Disposal Completion.

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## LETTER FROM THE BOARD

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### *Non-competition undertaking*

Pursuant to the Disposal Agreement, Dragon Fortune has undertaken to the Remaining Group that:

- (i) it shall, whether directly or indirectly, not, without the prior consent from Telefield Holdings, engage or it shall procure the Disposal Group not to engage in any business that is in direct competition with the business of the Remaining Group which has already been carried out by the Remaining Group as at Disposal Completion, for a term of two (2) years after Disposal Completion; and
- (ii) within two (2) years after Disposal Completion, it shall inform Telefield Holdings in the first instance if there is any new business opportunity in relation to the business currently engaged by the Remaining Group as at Disposal Completion unless Telefield Holdings has (i) given an express consent on behalf of the Remaining Group to the Disposal Group to take up such business opportunity; or (ii) Telefield Holdings has expressly declined such business opportunity and has given consent the Disposal Group to take up such business opportunity.

### *Financial effects of the Disposal*

Following the Disposal Completion, the Disposal Group will cease to be subsidiaries of the Company and will be held as to 100% by Dragon Fortune.

The consolidated net loss of the Disposal Group for the two years ended 31 December 2013 and 2014, based on the audited financial information of the Disposal Group for the two years ended 31 December 2013 and 2014 respectively, are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Loss before taxation	(7,577)	(92,723)
Net loss after taxation	(6,980)	(89,410)
Net loss after taxation attributable to owners of the Disposal Group	<u>(9,894)</u>	<u>(47,083)</u>

The consolidated net liability value of the Disposal Group and the consolidated net liability value attributable to shareholders of the Disposal Group as at 31 December 2014, based on the audited financial information of the Disposal Group for the year ended 31 December 2014, were about HK\$77.6 million and about HK\$63.2 million respectively. The Sale Loan amounted to approximately HK\$231.0 million as at 31 December 2014.



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## LETTER FROM THE BOARD

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Based on the consideration of HK\$169,800,000, the audited consolidated net liability value attributable to shareholders of Noble Treasure as at 31 December 2014, the amount of Sale Loan as at 31 December 2014 and the related professional expenses of the Disposal, the Disposal is expected to give rise to a profit attributable to the Company of approximately HK\$0.5 million with breakdown shown as follows:

	<i>HK\$ million</i>
Consideration	169.8
Net liability value of the Disposal Group	77.6
Sale Loan	(231.0)
Estimated professional expenses	(4.0)
Re-classification of exchange reserves upon the Disposal	2.5
Derecognition of non-controlling interest of the Disposal Group	(14.4)
	<hr/>
Gain on Disposal attributable to the Company	0.5
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### **Reasons for the Disposal**

The Group is principally engaged into two business segments, the EMS and the distribution businesses. Among the distribution business segment, there are three main product lines including the communication products, multimedia products & computer accessories and gaming products and toys.

After arm's length negotiations between the Shares Vendors and the Offeror, and taking into account (i) the entire structure of the Offer, the Corporate Reorganisation and the Disposal; and (ii) the consideration for the Sale Shares to be paid by the Offeror to the Shares Vendors, the Offeror and the Shares Vendors have mutually agreed that the Share Sale Completion shall be conditional upon Disposal Completion becoming unconditional, such that the Offeror will acquire a controlling stake in the Company, the business of which will then be streamlined and the Remaining Group will be principally engaged in (i) distribution of business phone systems under the RCA brand; and (ii) EMS business originally engaged by the Group with manufacturing facilities located in Guangzhou upon Share Sale Completion. Major products manufactured under the EMS business of the Remaining Group are electronic consumer products including but not limited to residential and business phones, beauty consumer products, home appliances and appliance control products.

In considering the businesses to be included in the Disposal Group and the Remaining Group, the Directors have considered that most of the distribution businesses in the Disposal Group were loss making for the year ended 31 December 2014 or had been loss making for several years so that the performance of the Remaining Group will be significantly improved should most of the loss making businesses be removed from the Group. As confirmed by the Directors, the heavy losses of the distribution businesses of the Disposal Group for the year ended 31 December 2014 were mainly due to (i) depreciation of Euro with a fixed Euro selling price against the purchase cost of products in US dollars; (ii) increase in product warranty; (iii) intense competition within the sectors; and (iv) increase in advertising campaign and marketing expenditures of the Disposal Group.

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## LETTER FROM THE BOARD

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### *Business of the Remaining Group*

The management of the Remaining Group expects there will be no substantial changes in the operations of the Remaining Group upon the Disposal.

The Remaining Group will distribute small and medium business phone systems under the RCA brand in North America. The sales channels are through office equipment superstores and large distributors for professional installer companies. Within the Remaining Group, a team of sales personnel will constantly work with the existing superstores and distributors to introduce the range of existing or new products in order to procure orders from the existing superstores and distributors and at the same time, the sales personnel team will also seek new purchasers on a continual basis to expand customer base. In general, purchase orders placed by office equipment superstores are issued weekly to the Remaining Group, however orders from distributors are not issued on a regular basis.

For the EMS segment of the Remaining Group, each different product category is handled by different business unit and each business unit has a dedicated marketing team to explore new customers and take care of existing customers' need. Both Original Equipment Manufacturing (customers design the products) and Original Design Manufacturing (design is provided by the Group) services are offered by the Remaining Group. There is also a dedicated project team in each business unit to monitor the overall schedule of the design activities as well as the manufacturing schedule and plans to make sure all the activities are in line with customers' expectation.

The total sales revenue of the Remaining Group per financial information extracted by management for the first six month of 2015 amounts to approximately HK\$522 million and approximately HK\$1,073 million for the full year 2014.

The number of customers of the Remaining group in 2014 was approximately 190 and the top 3 customers accounted for approximately 32% of the Remaining Group's revenue in 2014.

As at 30 June 2015, the Remaining Group had approximately 2,283 employees out of which approximately 8 staffs are for the distribution business segment and approximately 2,275 staffs are for the EMS business segment. Within the Remaining Group, there are a total of approximately 60 management staffs.

There are 18 surface-mount technology lines and 35 different types of assembly lines in the Remaining Group's Guangzhou facilities. The management of the Remaining Group anticipates that the expected utilization rate of the surface-mount technology and assembly lines are approximately 80% and 85%, respectively.

The Remaining Group has over 100 research and development engineers, including electronic, mechanical, software and testing engineers who are capable of designing and developing (i) electronic circuits; (ii) software embedded in micro-controllers and testers; (iii) application specific integrated circuits; and (iv) cabinet parts and all related mechanical

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## LETTER FROM THE BOARD

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assembly parts. The Remaining Group's engineers have a strong focus on product realization, commercialization and improvements. The Remaining Group will also continue to cooperate with its customers and/or universities, local and overseas consultancy houses to jointly develop innovative products and solutions.

The Remaining Group has its own sales and marketing team in Portland, USA to take care of the marketing strategies and customer's service in relation to the distribution business. There are other dedicated sales and marketing teams in Hong Kong and China that will take care of the marketing strategies and customer's service in relation to the EMS business.

### *Basis of the Disposal Consideration*

The Disposal Consideration was determined between the Company and Dragon Fortune after arm's length negotiations having taken into account of the financial situation of the Disposal Group including the net asset value and the amount of Sale Loan of the Disposal Group and the future prospects of the Disposal Group.

The cash proceeds (net of attributable expenses of approximately HK\$4.0 million) from the Disposal are estimated to be approximately HK\$165.8 million, and is estimated that a sum of HK\$40 million will be allocated towards general working capital as a contingent cash buffer to overcome any unexpected variation in banking facilities available upon the Share Sale Completion and the remaining balance of HK\$125.8 million is allocated for future investment opportunities that may arise in the market from time to time that is considered to be value-enhancing to Shareholders and/or otherwise in the best interests of the Remaining Group.

The intention of the Offeror in relation to the Remaining Group is outlined in the subsection headed "Offeror's intention of the Company" under the section headed "3. THE REMAINING GROUP" below.

The Directors (including the independent non-executive Directors whose views and recommendations are set out in the section headed "Letter from the Independent Board Committee" of this circular after receiving the letter of advice from Messis Capital) consider that the Corporate Reorganisation and the Disposal will facilitate the Share Sale Completion and, accordingly, the Offer to the Shareholders. In view of the fact that the Disposal can be realized based on net assets value of the Disposal Group and the amount of Sale Loan and with the expected cash inflow from the Disposal, the Directors (including the independent non-executive Directors whose views and recommendations are set out in the section headed "Letter from the Independent Board Committee" of this circular after receiving the letter of advice from Messis Capital) are of the view that the terms of the Disposal Agreement are fair and reasonable and the Disposal and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### 3. THE REMAINING GROUP

#### The Share Sale Agreement

Pursuant to the Share Sale Agreement, (i) the Offeror has conditionally agreed to purchase the 274,588,000 Sale Shares, representing approximately 66.69% of the entire issued share capital of the Company as at the date of the Share Sale Agreement; (ii) Dragon Fortune has conditionally agreed to sell 243,942,000 Sale Shares and Telefield Charitable has conditionally agreed to sell 30,646,000 Sales Shares, representing approximately 59.25% and 7.44% respectively of the entire issued share capital of the Company, free from all Encumbrances and together with all rights attaching thereto with effect from the Share Sale Completion, including all rights to any dividend or other distribution declared, made or paid on or after the date of Share Sale Completion. The consideration for the Sale Shares shall be HK\$557,688,228 (as to HK\$495,446,202 to Dragon Fortune and as to HK\$62,242,026 to Telefield Charitable) (equivalent to HK\$2.031 per Sale Share).

The Share Sale Completion is conditional upon, among other things, the Disposal Agreement having been duly executed and becoming unconditional in all respects (save for the condition that the Share Sale Completion having taken place).

As at the Latest Practicable Date, the Offeror and parties acting in concert with it are not interested in any securities of the Company. Upon the Share Sale Completion, the Offeror and parties acting in concert with it will be interested in 274,588,000 Shares, representing approximately 66.69% of the entire issued share capital of the Company (assuming no outstanding Share Options having been exercised) and approximately 66.03% of the entire issued share capital of the Company (assuming all the outstanding Share Options having been exercised). Subject to Share Sale Completion and pursuant to the Optionholder Undertaking, the Offeror will therefore be required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash Offer for all the issued Shares which are not already owned or agreed to be acquired by it and parties acting in concert with it.

#### Information of the Offeror

As noted from the Joint Announcement, the Offeror is an investment holding company incorporated in the BVI with limited liability on 31 March 2015. The Offeror is wholly and ultimately owned by Mr. Yang Zihui (“**Mr. Yang**”). Mr. Yang is currently the controlling shareholder (as defined under the Listing Rules), as well as the chairman and an executive director of Landing International Development Limited (the shares of which are listed on the Main Board, stock code: 582). He is also the founder and chairman of board of directors of Anhui Landing Holding Group Co., Ltd. (安徽藍鼎控股集團有限公司), which is principally engaged in real estate development business in the PRC. He had been a director of Hubei Landing Holding Co., Ltd. (shares of which are listed on Shenzhen Stock Exchange, stock code: 000971) from September 2013 to December 2014. Mr. Yang has over 11 years of experience in property development in the PRC.

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## LETTER FROM THE BOARD

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### **Offeror's intention on the Company**

As set out in the Joint Announcement, the Offeror intends to continue the principal business of the Remaining Group, which comprises of EMS business and distribution of communication products. The management team of the Remaining Group consists of professionals with many years of experience working in EMS and distribution of communication products businesses. The Offeror intends to retain the senior management of the Remaining Group subsequent to completion of Offer. The Offeror will, following the completion of the Offer, conduct a detailed review of the business operations and financial position of the Remaining Group for the purpose of developing a sustainable business plan or strategy for the Remaining Group. In addition, in order to broaden its income source and to accelerate the Remaining Group's growth and future development, the Offeror will explore and consider any other investment and business opportunities that may arise in the market from time to time that it considers value-enhancing to Shareholders and/or otherwise in the best interests of the Remaining Group. If any possible investment materializes, the Company will make further announcement(s) as and when required under the Listing Rules. However, as of the Latest Practicable Date, no such investment or business opportunities have been identified nor has the Offeror entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Remaining Group.

As further set out in the Joint Announcement, in order to strengthen the capital base of the Remaining Group so that it is in a better position to capture any investment and business opportunities that may arise, it is the Offeror's intention to, as soon as practicable after the close of the Offer, procure the directors it nominates on the Board to consider raising fund from equity or equity-related securities. Further announcement(s) will be made by the Company once any of such fund raising proposals is put to the Board and approved. However, as of the Latest Practicable Date, no concrete fund raising plan has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to any fund raising exercise.

Save as required for the implementation of the Offeror's intention regarding the Remaining Group as aforementioned, the Offeror has no intention to terminate any employment of the employees of the Remaining Group or to make significant changes to any employment (except for the proposed nomination of new directors to the Board as detailed in the section headed "Proposed changes to the Board" below) or to dispose of or re-allocate the Remaining Group's assets which are not in the ordinary and usual course of business of the Remaining Group. Notwithstanding the foregoing, the Offeror has not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment of the employees, disposal and/or re-deployment of the assets (including fixed assets) of the Remaining Group, or termination or scaling down of any Remaining Group's business.

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## LETTER FROM THE BOARD

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As further set out in the Joint Announcement, the Offeror has no intention to privatise the Remaining Group and intends to maintain the listing of the Shares on the Stock Exchange. The Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will continue to be held by the public at all times.

**If, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:**

- a false market exists or may exist in the trading of Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

**the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.**

### **Proposed changes to the Board**

The Board currently comprises eight Directors, including five executive Directors and three independent non-executive Directors. Mr. Cheng, Mr. Poon Ka Lee, Barry, Mr. Ng Kim Yuen, Ms. Fok Pui Yin and Mr. Lee Kai Bon intend to resign as executive Directors and Mr. Au-Yang Cheong Yan, Peter, Mr. Kwan Pun Fong Vincent and Mr. Xue Quan intend to resign as independent non-executive Directors with effect from the earliest time permitted under the Takeovers Code (which is the first closing date of the Offer). Mr. Cheng, Mr. Ng Kim Yuen, Ms. Fok Pui Yin and Mr. Lee Kai Bon will remain as directors in subsidiaries of the Remaining Group.

As disclosed in the Joint Announcement, the Offeror intends to nominate new Director(s) for appointment to the Board with effect from the earliest time permitted under the Takeovers Code. Details of the change of the Board composition and the biographies of the proposed new Director(s) will be further announced in compliance with the Takeovers Code and the Listing Rules.

### **4. MASTER SALE AGREEMENT – CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEAL**

Upon Disposal Completion and Share Sale Completion, certain sales arrangements between the Disposal Group and the Remaining Group will continue to be carried forward and transactions contemplated under the Master Sale Agreement.

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## LETTER FROM THE BOARD

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### Master Sale Agreement

- Date : 7 August 2015 (as supplemented on 7 September 2015)
- Parties : (i) Telefield Holdings, a member of the Remaining Group, as the EMS Products supplier
- (ii) Noble Treasure, a member of the Disposal Group, as the EMS Products purchaser
- Term : From the date of Disposal Completion to 31 December 2016 (both days inclusive)
- Pricing : (i) The pricing of the supply of the EMS Products to the Disposal Group and the pricing for the supply of the same or similar products to independent third parties, if any, shall be determined using the same pricing formula;
- (ii) the sales of the same or similar EMS Products by the Remaining Group to the Disposal Group, when compared to the same or similar EMS Products offered to the independent third parties of the same period, shall be on terms no less favourable from the Group's perspective;
- (iii) the cost-plus mark-up percentage by using the general pricing formula for each transaction should not be less than a certain specified minimum percentage of the transaction prices and the yearly average mark-up percentage for the EMS Products supplied by the Remaining Group to the Disposal Group should be 9.6% (represents the average mark-up percentage of the EMS Products for the six months ended 30 June 2015) or higher;
- (iv) the Disposal Group should obtain at least two quotations of the provision of EMS Products (i.e. GPS module, modem and professional amplifiers) from other suppliers and the price charged by the Remaining Group in relation to the provision of EMS Products to the Disposal Group should equal to or higher than the highest price among the two quotations quoted by the Disposal Group, and the quotations should be reviewed by the project team and marketing team and approved by the top management; and



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## LETTER FROM THE BOARD

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- (v) the selling price of the EMS Products supplied by the Group to the Disposal Group should be the highest price as determined on the basis described in points (iii) and (iv) above.

The mark-up percentage should not be less than a certain specified minimum percentage of the transaction prices by using the general pricing formula, which is determined mainly with reference to (i) the material costs and (ii) the assembly costs.

The actual mark-up percentage for different customers and different products are determined with reference to (i) the ordering quantity by the purchaser; (ii) the severity of prevailing market competition; (iii) the difficulties and effort spent on the research and development of the EMS Products; (iv) the specific authority approval the Remaining Group should obtain for processing the EMS Products; and (v) the specific requirement (i.e. tailor made design) requested by the purchaser.

Subject Matter : The Remaining Group has agreed to provide various EMS Products and services (including sourcing and procurement, production and after-sales services) to the Disposal Group, for which the Remaining Group shall produce, assemble, test, label, package and deliver the EMS Products in accordance with the specifications ordered by the Disposal Group, subject to and upon the terms and conditions of the Master Sale Agreement.

The products sold by the Remaining Group to the Disposal Group are GPS module, modem and professional amplifiers.

Condition : (i) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder as a special deal under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the Disposal Completion;

(ii) no indication having been received on or before the Disposal Completion Date from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Main Board will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of the terms of the Disposal Agreement; and



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## LETTER FROM THE BOARD

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- (iii) all applicable consent required from the Stock Exchange and the SFC (if necessary) in connection with the Master Sale Agreement and the transactions contemplated therein shall have been obtained.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

### Historical sales figure

	<b>For the year ended 31 December</b>		<b>For the seven months ended 31 July</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Transaction amount	5.6	9.7	17.3

### Proposed annual caps

The Directors expect that the maximum aggregate annual fee payable by the Disposal Group under the Master Sale Agreement for each of the two years ending 31 December 2015 and 2016 shall not exceed HK\$5 million, and HK\$18 million respectively.

The above proposed annual caps were and would be determined after arm's length negotiation between the Remaining Group and the Disposal Group from time to time with reference to (i) the then prevailing fee of similar EMS services providers pursuant to the Master Sale Agreement in the market and the terms of which would be no less favourable than that offered to independent third parties; and (ii) the historical and forecast quantity of the EMS Products required by the Disposal Group.

In particular, the Remaining Group mainly made reference to the historical sales for the seven months ended 31 July 2015 as the management of the Remaining Group are of the view that the sales to Disposal Group in 2015 can reflect the latest market situation of the distribution business and the latest level of the sales of EMS Products to the Disposal Group. The proposed annual cap in 2015 represents the expected sales in November and December 2015 and has been made with reference to the historical monthly sales in 2015.

Furthermore, in estimating the proposed annual cap in 2016, the management of the Remaining Group has also made reference to the historical monthly sales in 2015 and have taken into consideration that one of the major customers of the Disposal Group may not procure the EMS Products from the Disposal Group in 2016.

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## LETTER FROM THE BOARD

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### Measures to safeguard interests of Independent Shareholders

There are dedicated project teams lead by program manager and marketing manager to serve individual customer. After obtaining the requirement from the customers, price quotation will be prepared by the project team with reference to (i) the ordering quantity by the purchaser; (ii) the severity of prevailing market competition; (iii) the difficulties and effort spent on the research and development of the EMS Products; (iv) the specific authority approval the Remaining Group should obtain for processing the EMS Products; and (v) the specific requirement (i.e. tailor made design), which would be approved by the marketing manager. Subsequent to customer's consent to proceed with the quotation the project team will monitor the price quotation against the actual cost throughout each of the development stages and should the actual cost vary from the original estimation, the team will report to the marketing manager for further price negotiation with the respective customer.

As soon as the product is put into mass production, finance team will then issue monthly report to show the margin of the product and the finance manager will review the report to see whether the margin is above certain specified minimum percentage and if any of the product's margin is below the certain specified minimum percentage, the particular case will be reported to respective parties, including project team, marketing manager and top management.

The marketing manager will use their best endeavor to negotiate the product price with the customer again and/or seek for price cost down from the corresponding component vendors through in house procurement department. If the case cannot be resolved within 14 days, the Remaining Group will hold up any further acceptance for the purchase order of such products.

In addition, in compliance with the annual review requirements under the Listing Rules, the Company will comply with the following during the term of the Master Sale Agreement:

- (i) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the Company's annual report and accounts that the continuing connected transactions have been entered into:
  - in the ordinary and usual course of business of the Group;
  - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
  - in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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## LETTER FROM THE BOARD

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- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the continuing connected transactions:
- have received the approval of the Board;
  - have been entered into, in all material aspects, in accordance with the relevant agreement governing the continuing connected transaction; and
  - have not exceeded the annual cap.

### **Reasons to and benefits for entering into the Master Sale Agreement**

Since the Remaining Group is well acquainted with the businesses of the Disposal Group and is experienced in providing the EMS services, it is both time and cost effective from a continuity perspective for the Disposal Group to continue engaging the Remaining Group to provide the EMS services and at the same time, this arrangement would generate steady income for the Remaining Group.

In light of the above, the Directors (including the independent non-executive Directors whose views and recommendations are set out in the section headed “Letter from the Independent Board Committee” of this circular after receiving the letter of advice from Messis Capital) are of the view that the terms of the Master Sale Agreement (including the annual caps) and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **5. REGULATORY IMPLICATIONS**

As one or more of the applicable ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules. As at the date of the Disposal Agreement, Dragon Fortune held 243,942,000 Shares, representing approximately 59.25% of the existing Shares in issue. By virtue of Dragon Fortune’s controlling interest in the Company, the Disposal also constitutes a connected transaction for the Company under the Listing Rules. Since the Disposal is not capable of being extended to all Shareholders, the Disposal also constitutes a special deal under Note 4 to Rule 25 of the Takeovers Code, which require the consent of the Executive and such consent, if granted, will normally be conditional upon the independent financial adviser publicly stating in its opinion that the terms of the Disposal are fair and reasonable and the approval of the Independent Shareholders having been obtained by way of a poll at the EGM. An application has been made to the Executive for consent to proceed with the Disposal under Note 4 to Rule 25 of the Takeovers Code. Shareholders should note that such consent may or may not be granted by the Executive and, if such consent is not granted, the Disposal will not proceed. As the obtaining of such consent is a Share Sale Conditions, the Share Sale Completion will not take place if such consent is not obtained at or before the Share Sale Longstop Date (or such later date as the Offeror and the Shares Vendors may agree).

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## LETTER FROM THE BOARD

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The transactions contemplated in the Master Sale Agreement will constitute continuing connected transactions of the Company by virtue of Dragon Fortune's controlling interest in the Company and being the purchaser of the Disposal Group. As each of the highest of applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Master Sale Agreement is less than 5%, the transactions contemplated under the Master Sale Agreement are subject to the reporting and announcement requirements and are exempt from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. However, since the Master Sale Agreement is not capable of being extended to all Shareholders, the Master Sale Agreement also constitutes a special deal under Rule 25 of the Takeovers Code, which requires the consent of the Executive and such consent, if granted, will normally be conditional upon the independent financial adviser publicly stating in its opinion that the terms of the Master Sale Agreement are fair and reasonable and the approval of the Independent Shareholders having been obtained by way of a poll at the EGM. An application has been made to the Executive for consent to proceed with the Master Sale Agreement under Rule 25 of the Takeovers Code. Shareholders should note that such consent may or may not be granted by the Executive and, if such consent is not granted, the Master Sale Agreement will not proceed so that any new purchase orders of the Disposal Group will not be processed by the Remaining Group.

As at the Latest Practicable Date, each of Dragon Fortune and Telefield Charitable is interested in 243,942,000 Shares and 30,646,000 Sales Shares, representing approximately 59.25% and 7.44% of the issued share capital and voting rights of the Company respectively. By reason of the requirements of the Listing Rules, Dragon Fortune, Telefield Charitable and their associates including Mr. Cheng, Mrs. Cheng, Lee Kai Bon, Ng Kim Yuen, Fok Pui Yin, Sum Kwok Fai, Wong Sik Hung, Chiu King Yim, Ko Mee Ling, Tam Kam Fong and Poon Ka Lee Barry, who are interested in the Disposal and the Master Sale Agreement will abstain from voting at the EGM in respect of the Disposal and the Master Sale Agreement (including the annual caps).

As Mr. Cheng, Mr. Lee Kai Bon, Mr. Ng Kim Yuen, Mr. Fok Pui Yin and Mr. Poon Ka Lee, Barry are interested in the the Disposal and/or the Master Sale Agreement (including the annual caps), they had abstained from voting on the Board resolution approving the Disposal and the Master Sale Agreement (including the annual caps). Save for the aforesaid, no other Directors have a material interest in the Disposal and the Master Sale Agreement (including the annual caps) and were required to abstain from voting on the Board resolution approving the Disposal and the Master Sale Agreement (including the annual caps).

By reason of the requirements of the Takeovers Code, (i) the Offeror and its associates and parties acting in concert with them; and (ii) Dragon Fortune, Telefield Charitable, Mr. Cheng, Mrs. Cheng, Century Win, Other Vendor Shareholders, LIL, Xinrong Fund, their respective associates and parties acting in concert with any of them and (iii) those who are interested in or involved in the Disposal, the Corporate Reorganisation, the Master Sale Agreement, the Share Sale and/or the Offer are required to abstain from voting at the EGM in respect of the Disposal and the Master Sale Agreement (including the annual caps).

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, each of Dragon Fortune and Telefield Charitable is interested in 243,942,000 Shares and 30,646,000 Sales Shares, representing approximately 59.25% and 7.44% of the issued share capital and voting rights of the Company respectively. Each of Dragon Fortune and Telefield Charitable is interested as to approximately 53.3% by Century Win which in turn is interested as to approximately 53.68% by Mr. Cheng and as to approximately 46.32% by Mrs. Cheng. The 46.7% interests in each of Dragon Fortune and Telefield Charitable are held by nine individuals as to approximately 8.64% by Lee Kai Bon, an executive Director, as to approximately 8.64% by Ng Kim Yuen, an executive Director, as to approximately 6.495% by Fok Pui Yin, an executive Director, as to approximately 6.495% by Sum Kwok Fai, as to approximately 5.19% by Wong Sik Hung, as to approximately 3.46% by Chiu King Yim, as to approximately 3.02% by Ko Mee Ling, as to approximately 3.02% by Tam Kam Fong and as to approximately 1.74% by Poon Ka Lee, Barry, an executive Director. Save for the aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Disposal and the Master Sale Agreement (including the annual caps) and the transactions contemplated thereunder.

### **6. INDEPENDENT BOARD COMMITTEE**

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Au-Yang Cheong Yan Peter, Kwan Pun Fong Vincent and Xue Quan, who have no direct or indirect interest in the Disposal, the Corporate Reorganisation and the Master Sale Agreement (including the annual caps) to advise the Independent Shareholders on the respective terms of the Disposal and the Master Sale Agreement (including the annual caps). Messis Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Master Sale Agreement (including the annual caps) and transactions contemplated thereunder. The appointment of Messis Capital as the independent financial adviser has been approved by the Independent Board Committee.

### **7. EGM**

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### 8. RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) consider that the terms of the Disposal Agreement and the Master Sale Agreement (including the annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Mr. Cheng, Mr. Poon Ka Lee Barry, Mr. Ng Kim Yuen, Ms. Fok Pui Yin and Mr. Lee Kai Bon had abstained from voting at the board meeting approving the Disposal Agreement and the Master Sale Agreement. The Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal and the Master Sale Agreement (including the annual caps) and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 29 of this circular and the letter from Messis Capital as set out on pages 30 to 51 of this circular regarding the terms of the Disposal and the Master Sale Agreement (including the annual caps).

### 9. ADDITIONAL INFORMATION

Your attention is also drawn to additional information set out in the appendices to this circular.

Yours faithfully,

For and on behalf of the Board

**TELEFIELD INTERNATIONAL (HOLDINGS) LIMITED**

**Cheng Han Ngok Steve**

*Chairman*

  
**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)**

9 September 2015

*To the Independent Shareholders,*

Dear Sir or Madam,

**(I) MAJOR AND CONNECTED TRANSACTION  
AND SPECIAL DEAL IN RELATION TO  
THE SALE AND PURCHASE OF NOBLE TREASURE;  
AND  
(II) CONTINUING CONNECTED TRANSACTIONS AND  
SPECIAL DEAL IN RELATION TO MASTER SALE AGREEMENT**

We refer to the letter from the Board set out in the circular dated 9 September 2015 of the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to, among others, advise the Independent Shareholders in respect of the terms of the Disposal Agreement and the Master Sale Agreement, details of which are set out in the “Letter from the Board” in the Circular. We wish to draw your attention to the letter of advice from Messis Capital, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal Agreement and the Master Sale Agreement set out on pages 30 to 51 of the Circular, and the letter from the Board set out on pages 9 to 28 of the Circular.

Having taken into account the principal factors and reasons considered by and the opinion of Messis Capital as stated in its letter of advice, we consider (i) the terms of the Disposal Agreement, which are not in the ordinary and usual course of business of the Company; and (ii) the terms of the Master Sale Agreement (including the annual caps), which are in the ordinary and usual course of business of the Company, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions approving the Disposal Agreement and the Master Sale Agreement to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Mr. Au-Yang Cheong Yan Peter**

**Dr. Kwan Pun Fong Vincent**

**Dr. Xue Quan**

*Independent non-executive Directors*

*The following is the full text of the letter from [redacted] sets out its advice to the Independent Board Committee and its inclusion in this circular.*



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## LETTER FROM MESSIS CAPITAL

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As one or more of the applicable ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules. As at the date of the Disposal Agreement, Dragon Fortune held 243,942,000 Shares, representing approximately 59.25% of the existing Shares in issue. By virtue of Dragon Fortune's controlling interest in the Company, the Disposal also constitutes a connected transaction for the Company under the Listing Rules and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Since the Disposal is not capable of being extended to all Shareholders, the Disposal also constitutes a special deal under Rule 25 of the Takeovers Code, which requires the consent of the Executive and such consent, if granted, will normally be conditional upon the independent financial adviser publicly stating in its opinion that the terms of the Disposal are fair and reasonable and the approval of the Independent Shareholders having been obtained by way of a poll at the EGM. An application has been made to the Executive for consent to proceed with the Disposal under Rule 25 of the Takeovers Code. Shareholders should note that such consent may or may not be granted by the Executive and, if such consent is not granted, the Disposal Completion will not proceed.

On 7 August 2015, Telefield Holdings, a member of the Remaining Group, and Noble Treasure, a member of the Disposal Group, entered into the Master Sale Agreement pursuant to which the Remaining Group has agreed to provide, upon Disposal Completion and Share Sale Completion, various EMS Products and services (including sourcing and procurement, production and after-sales services) to the Disposal Group, for which the Remaining Group shall produce, assemble, test, label, package and deliver the EMS Products in accordance with the specifications ordered by the Disposal Group, subject to and upon the terms and conditions of the Master Sale Agreement (as supplemented on 7 September 2015).

The Master Sale Agreement will constitute continuing connected transactions of the Company by virtue of Dragon Fortune's controlling interest in the Company and being the purchaser of the Disposal Group. As each of the highest of applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Master Sale Agreement is less than 5%, the transactions contemplated under the Master Sale Agreement are subject to the reporting and announcement requirements and are exempt from circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, since the Master Sale Agreement is not capable of being extended to all Shareholders, the Master Sale Agreement also constitutes a special deal under Rule 25 of the Takeovers Code, which requires the consent of the Executive and such consent, if granted, will normally be conditional upon the independent financial adviser publicly stating in its opinion that the terms of the Master Sale Agreement are fair and reasonable and the approval of the Independent Shareholders having been obtained by way of a poll at the EGM. An application has been made to the Executive for consent to proceed with the Master Sale Agreement under Rule 25 of the Takeovers Code. Shareholders should note that such consent may or may not be granted by the Executive and, if such consent is not granted, the Master Sale Agreement will not proceed so that any new purchase orders of the Disposal Group will not be processed by the Remaining Group.

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## LETTER FROM MESSIS CAPITAL

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By reason of the requirements of the Listing Rules, Dragon Fortune, Telefield Charitable and their associates including Mr. Cheng, Mrs. Cheng, Lee Kai Bon, Ng Kim Yuen, Fok Pui Yin, Sum Kwok Fai, Wong Sik Hung, Chiu King Yim, Ko Mee Ling, Tam Kam Fong and Poon Ka Lee Barry, who are interested in the Disposal and the Master Sale Agreement will abstain from voting at the EGM in respect of the Disposal and the Master Sale Agreement (including the annual caps).

By reason of the requirements of the Takeovers Code, (i) the Offeror and its associates and parties acting in concert with them; (ii) Dragon Fortune, Telefield Charitable, Mr. Cheng, Mrs. Cheng, Century Win, Other Vendor Shareholders, LIL, Xinrong Fund, their respective associates and parties acting in concert with any of them and (iii) those who are interested in or involved in the Disposal, the Corporate Reorganisation, the Master Sale Agreement, the Share Sale and/or the Offer are required to abstain from voting at the EGM in respect of the Disposal and the Master Sale Agreement (including the annual caps).

As at the Latest Practicable Date, each of Dragon Fortune and Telefield Charitable is interested in 243,942,000 Shares and 30,646,000 Sales Shares, representing approximately 59.25% and 7.44% of the issued share capital and voting rights of the Company respectively. Each of Dragon Fortune and Telefield Charitable is interested as to approximately 53.3% by Century Win which in turn is interested as to approximately 53.68% by Mr. Cheng and as to approximately 46.32% by Mrs. Cheng. The 46.7% interests in each of Dragon Fortune and Telefield Charitable are held by nine individuals as to approximately 8.64% by Lee Kai Bon, an executive Director, as to approximately 8.64% by Ng Kim Yuen, an executive Director, as to approximately 6.495% by Fok Pui Yin, an executive Director, as to approximately 6.495% by Sum Kwok Fai, as to approximately 5.19% by Wong Sik Hung, as to approximately 3.46% by Chiu King Yim, as to approximately 3.02% by Ko Mee Ling, as to approximately 3.02% by Tam Kam Fong and as to approximately 1.74% by Poon Ka Lee, Barry, an executive Director. Save for the aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Disposal and the Master Sale Agreement (including the annual caps) and the transactions contemplated thereunder.

The Independent Board Committee, comprising all independent non-executive Directors, namely Au-Yang Cheong Yan Peter, Kwan Pun Fong Vincent and Xue Quan, has been established to advise the Independent Shareholders in relation to the Disposal and the Master Sale Agreement.

We, Messis Capital Limited, have been appointed by the Company as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Master Sale Agreement. Our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the Disposal, the Master Sale Agreement, and transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of the business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Disposal, the Master Sale Agreement, and transactions contemplated thereunder at the EGM.

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## LETTER FROM MESSIS CAPITAL

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### OUR INDEPENDENCE

Prior to this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal, the Master Sale Agreement and the transactions contemplated thereunder, we did not have any significant connection, financial or otherwise, with either the Offeror or the Company, or the controlling shareholder(s) of either of them, of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. For the purpose of Rule 2 of the Takeovers Code, we are independent.

In the last two years, we have not acted as an independent financial adviser in respect of the Company's other transactions. As at the Latest Practicable Date, other than this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal, the Master Sale Agreement and the transactions contemplated thereunder, we did not have any other relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. For the purpose of Rule 13.84 of the Listing Rules, we are independent of the Company.

### BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors and the management of the Company. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Disposal, the Master Sale Agreement, and transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM MESSIS CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

#### (A) The Disposal

##### 1. Background of and reasons for the Disposal

###### (i) Information of the Group

We note from the Company's latest annual report for the year ended 31 December 2014 (the "Annual Report") that the Group has two main business segments, namely, (i) EMS; and (ii) the distribution business. Under the distribution business segment, there are three main product lines including (i) communications products; (ii) multimedia products and computer accessories; and (iii) gaming products and toys.

The table below sets out the audited consolidated key financial information of the Group for the two years ended 31 December 2014 as extracted from the Annual Report:

	For the year ended	
	31 December	
	2014	2013
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	1,832,867	1,825,542
(Loss)/Profit before tax	(37,441)	37,554
(Loss)/Profit for the year	(42,273)	31,414
Profit attributable to owners		
of the Company	577	28,566
Equity attributable to owners		
of the Company	369,756	377,794

As set out in the table above, we note that the profit attributable to owners of the Company decreased significantly from approximately HK\$28.6 million for the year ended 31 December 2013 to approximately HK\$0.6 million for the year ended 31 December 2014 while the revenue increased slightly from HK\$1.826 billion for the year ended 31 December 2013 to HK\$1.833 billion for the year ended 31 December 2014. We note from the Annual Report that the profit attributable to owners of the Company decreased significantly in 2014 compared to 2013, which was mainly due to the substantial loss recorded in the distribution business in 2014.

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## LETTER FROM MESSIS CAPITAL

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As mentioned in the Annual Report, during the year 2014, the EMS business maintained steady growth and the satisfactory performance of the EMS business was mainly due to the reinforcement in the Group's technical expertise and ability to meet increasingly stringent production requirements resulting in earning the trust of leading international consumer electronic brands. Aside from tapping existing markets, the Group have explored niche segments and will continue to develop more specialised products to sustain the growth of EMS business. We note from the Annual Report and the interim results announcement that the segment results of the EMS segment recorded a profit of HK\$58.1 million for the year ended 31 December 2014 and a profit of HK\$31.2 million for the six months ended 30 June 2015. Although the EMS business performed steadily, the distribution businesses experienced a decline, which in turn lowered the profit attributable to owners of the Company in 2014.

We have reviewed the Company's annual report 2014 and 2013 and note that the distribution business of gaming products and toys recorded a loss of approximately HK\$18.8 million, approximately HK\$10.2 million and approximately HK\$15.5 million for each of the three years ended 31 December 2014 respectively. As stated in the annual report 2013, the Group had continued to direct their energies to marketing, as well as to bolster the TrekStor tablet products line-up in 2013, which is the product that falls within the category of multimedia products and computer accessories, in order to spur the development of the distribution businesses. In addition, it was stated in the annual report 2013 that the Directors had also further expanded the distribution network for the gaming products. We also note from the Annual Report that the distribution business of communications products turned from a profit of approximately HK\$0.3 million for the year ended 31 December 2013 to a loss of approximately HK\$9.5 million for the year ended 31 December 2014.

In addition, we further note from the interim results announcement of the Group that the distribution business of communications products, the distribution business of multimedia products and computer accessories and the distribution business of gaming products and toys recorded a loss of approximately HK\$10.8 million, HK\$37.6 million and HK\$13.4 million respectively for the six months ended 30 June 2015.

Based on the foregoing, we note that:

- (i) the Group had continued to direct the energies to marketing for its distribution business of multimedia products and computer accessories and gaming products and toys since 2013, which are the product lines of the distribution business that belong to the Disposal Group, while the financial performance of the aforesaid product lines in the distribution business were unsatisfactory in 2014;
- (ii) the distribution business of gaming products and toys of the Group has been in a consistent loss-making positions for three consecutive years; and

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## LETTER FROM MESSIS CAPITAL

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(iii) the distribution business of communications products of the Group recorded loss for the year ended 31 December 2014 and the six months ended 30 June 2015.

(ii) *Information of the Disposal Group*

Upon the Corporate Reorganisation Completion, the Disposal Group will comprise Noble Treasure, Affonso, Alagona, Calibre, Macar and Phoenix Choice and will be purchased by Dragon Fortune at the Disposal Consideration of HK\$169,800,000.

The Disposal Group's businesses include (i) distribution of wireless communication products such as wireless modems and truck tracking devices; (ii) distribution of multimedia products and computer accessories; (iii) distribution of gaming products and toys; and (iv) contractual manufacturing business of hotel amenities products.

Noble Treasure is an investment holding company incorporated in the BVI with limited liability established for the purpose of the Corporate Reorganisation. Noble Treasure is a direct wholly-owned subsidiary of the Company.

Affonso is an investment holding company incorporated in the BVI with limited liability. The Affonso Group is principally engaged in contractual manufacturing business of hotel amenities products in India.

Alagona is an investment holding company incorporated in the BVI with limited liability. The Alagona Group is principally engaged in the distribution of multimedia products and computer accessories in Europe and the PRC.

Calibre is an investment holding company incorporated in the BVI with limited liability. The Calibre Group is principally engaged in the distribution of (i) wireless communication products such as wireless modems and truck tracking devices; and (ii) professional amplifier with speaker products, in Asia and the USA.

Macar is an investment holding company incorporated in the BVI with limited liability. The Macar Group is principally engaged in the distribution of gaming products and toys in Europe and the USA.

Phoenix Choice is an investment holding company incorporated in the BVI with limited liability. The Phoenix Choice Group is principally engaged in property investment in India.

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**LETTER FROM MESSIS CAPITAL**

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Set out below are the audited consolidated financial information of the Disposal Group for the two years ended 31 December 2014 and the six months ended 30 June 2015:

	<b>For the six months ended 30 June (audited) 2015 HK\$'000</b>	<b>For the year ended 31 December (audited) 2014      2013 HK\$'000    HK\$'000</b>	
	<b>As at 30 June 2015 HK\$'000</b>	<b>As at 31 December 2014 HK\$'000</b>	<b>As at 31 December 2013 HK\$'000</b>
Revenue	276,269	800,420	881,839
Finance cost	3,423	8,417	7,183
Loss before tax	(62,910)	(92,723)	(7,577)
Loss for the year	(61,918)	(89,410)	(6,980)
Loss attributable to owners of the Disposal Group	(32,041)	(47,083)	(9,894)
Net liabilities attributable to owners of the Disposal Group	(94,763)	(63,222)	(24,235)

As set out in the table above, we note that the revenue of the Disposal Group decreased moderately from approximately HK\$881.8 million for the year ended 31 December 2013 to approximately HK\$800.4 million for the year ended 31 December 2014 while the loss attributable to owners of the Disposal Group has significantly increased from approximately HK\$9.9 million for the year ended 31 December 2013 to approximately HK\$47.1 million for the year ended 31 December 2014. We also note that the revenue and the loss attributable to owners of the Disposal Group for the six months ended 30 June 2015 was approximately HK\$276.3 million and approximately HK\$32.0 million respectively.

As stated above, the Disposal Group's businesses include, among others, distribution of wireless communication products, distribution of multimedia products and computer accessories and distribution of gaming products and toys. We note from the Annual Report that the segment result of multimedia products and computer accessories and gaming products and toys, which contributed a major part of the revenue of the Disposal Group for the year ended 31 December 2014, was unsatisfactory and recorded a loss of approximately HK\$66.9 million and approximately HK\$18.8 million respectively even after the Directors had already put more effort, in particular, on advertising and marketing, on the aforesaid



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## LETTER FROM MESSIS CAPITAL

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segment. As advised by the Directors, the advertising and marketing costs of the Disposal Group incurred for the distribution business of multimedia products and computer accessories and gaming products and toys was approximately 42% and 34% of the total advertising and marketing costs of the Group incurred in 2014 and 2013 respectively. We also note that the segment results of distribution of communications products of the Group, which included the distribution of wireless products, recorded a loss of approximately HK\$9.5 million for the year ended 31 December 2014 and a loss of HK\$10.8 million for the six months ended 30 June 2015. Furthermore, we note from the table above that the revenue of the Disposal Group was over HK\$800 million for each of the two years ended 31 December 2014 while the revenue was approximately HK\$276.3 million for the six months ended 30 June 2015. Having discussed with the management of the Group, we understand that the business environment for the distribution business of multimedia products and computer accessories and gaming products and toys is expected to remain lackluster.

We also note that the net liabilities attributable to owners of the Disposal Group increased significantly from approximately HK\$24.2 million as at 31 December 2013 to approximately HK\$63.2 million as at 31 December 2014, and further increased to approximately HK\$94.8 million as at 30 June 2015.

Upon Disposal, the businesses of the Disposal Group will be removed from the Group which include (i) distribution of wireless communication products such as wireless modems and truck tracking devices; (ii) distribution of multimedia products and computer accessories; (iii) distribution of gaming products and toys; and (iv) contractual manufacturing business of hotel amenities products. The Remaining Group will be principally engaged in (i) distribution of business phone systems under the RCA brand; and (ii) EMS business originally engaged by the Group with manufacturing facilities located in Guangzhou upon Share Sale Completion. Major products manufactured under the EMS business of the Remaining Group are electronic consumer products including but not limited to residential and business phones, beauty consumer products, home appliances and appliance control products. Although the revenue of the Disposal Group will be removed from the Group, the financial performance of the Remaining Group will be significantly improved as most of the loss making businesses will be removed from the Group upon Disposal.

Based on the above, we note that:

- (i) the Disposal Group, which is mainly engaged in the distribution business of wireless communication products, multimedia products and computer accessories and gaming products and toys, was in a loss making position for the two years ended 31 December 2014 and the six months ended 30 June 2015;
- (ii) although the revenue of the Disposal Group will be removed from the Group, the financial performance of the Remaining Group will be significantly improved as most of the loss making businesses will be removed from the Group upon Disposal;



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## LETTER FROM MESSIS CAPITAL

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- (iii) the net liabilities attributable to owners of the Disposal Group has continued to increase since 2013;
- (iv) the increase in the marketing effort for the distribution business of multimedia products and computer accessories and gaming products and toys has not improved the revenue and the financial performance of the Disposal Group; and
- (v) the business environment for the distribution business of multimedia products and computer accessories and gaming products and toys is expected to remain lackluster in the opinion of the Group's management.

*(iii) Net proceeds from the Disposal*

We understand from the Directors that the net proceeds from the Disposal are expected to be used as general working capital of the Remaining Group and any other investment and business opportunities that may arise in the market from time to time that it considered value-enhancing to Shareholders and/or otherwise in the best interest of the Remaining Group.

Set out below are the bank borrowings and the finance cost of the Group which are extracted from the Annual Report and the consolidated financial information of the Disposal Group for the two years ended 31 December 2014:

	<b>Remaining Group HKD'000</b>	<b>Disposal Group HKD'000</b>	<b>Group HKD'000</b>	<b>Remaining Group HKD'000</b>	<b>Disposal Group HKD'000</b>	<b>Group HKD'000</b>
	<b>As at 31 December 2014</b>			<b>As at 31 December 2013</b>		
Bank borrowings	86,413	30,662	117,075	85,315	26,498	111,813
	<b>For the year ended 31 December 2014</b>			<b>For the year ended 31 December 2013</b>		
Finance costs	7,456	8,417	15,873	6,117	7,183	13,300

As set out in the table above, we note that more than half of the Group's finance costs was incurred for funding the Disposal Group's operation and business development while the amount of the bank borrowings as at 31 December 2014 of the Disposal Group was lower than the Remaining Group. Having discussed with the management, we understand that the finance costs of approximately HK\$8.4 million incurred by the Disposal Group during the year ended 31 December 2014 mainly arose from the handling charges and interest on the factoring of account receivables of the Disposal Group of approximately HK\$6.3 million incurred during the year ended 31 December 2014. Since the account receivables of the Disposal Group were factored without recourse and thus no bank borrowings was recorded in the financial position whereas the handling charges and the corresponding interest in relation to the factoring were recognised as finance cost.

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## LETTER FROM MESSIS CAPITAL

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In view of the above, we consider that after the Disposal, (i) the interest burden of the Group will decrease as the Group will no longer require borrowings for funding its loss-making distribution business; (ii) the net proceeds from the Disposal will strengthen the Group's financial resources and reduce the extent of the Remaining Group's needs for interest-bearing borrowings to fund the operation and business development of its profitable EMS segment.

*(iv) Our view*

Based on the foregoing and having considered in particular that:

- (i) the Disposal Group has been in a consistent loss-making positions discussed as above;
- (ii) the Disposal Group recorded net liabilities as at 31 December 2013 and 2014 and 30 June 2015;
- (iii) although the revenue of the Disposal Group will be removed from the Group, the financial performance of the Remaining Group will be significantly improved as most of the loss making businesses will be removed from the Group upon Disposal;
- (iv) the increase in the marketing effort for the distribution business of multimedia products and computer accessories and gaming products and toys has not improved the revenue and the financial performance of the Disposal Group;
- (v) the Disposal will strengthen the Group's financial resources and reduce its interest burden; and
- (vi) after the Disposal, the Group intends to utilise part of the proceed as general working capital for EMS segment of the Remaining Group, which is profitable as mentioned in the section "Information of the Group" above,

we consider that the Disposal is in the interest of the Company and the Independent Shareholders as a whole.

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## LETTER FROM MESSIS CAPITAL

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### 2. *Principal terms of the Disposal*

#### (i) *Overview*

We summarize in the following table the principal terms of the Disposal:

<b>Date:</b>	22 May 2015 (as supplemented on 7 August 2015).
<b>Parties:</b>	<p>Vendor: Telefield International (Holdings) Limited, a company incorporated under the laws of Cayman Islands with limited liabilities (Stock code: 1143).</p> <p>Purchaser: Dragon Fortune International Limited, an investment holding company incorporated in Hong Kong with limited liability and is interested in as to approximately 59.25% of the issued Shares, being the purchaser under the Disposal.</p>
<b>Subject matter:</b>	Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell and Dragon Fortune has conditionally agreed to purchase the entire issued share capital of Noble Treasure (after Corporate Reorganisation Completion) and the Sale Loan. Noble Treasure Shares shall be acquired free from all Encumbrances and together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the Disposal Completion Date.
<b>Consideration:</b>	The aggregate Disposal Consideration for Noble Treasure Shares and the Sale Loan shall be HK\$169,800,000 payable by Dragon Fortune in full in cash upon the Disposal Completion.
<b>Completion:</b>	Completion shall take place within 5 Business Days after (but excluding) the day on which all the Disposal Conditions are fulfilled or waived (as the case may be), or at such other time as may be agreed by the Company and Dragon Fortune.

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## LETTER FROM MESSIS CAPITAL

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*(ii) Consideration*

According to the Letter from the Board, the consideration of HK\$169,800,000 of the Disposal was determined after arm's length negotiations between the Company and Dragon Fortune taking into consideration of (i) the consolidated net liability value attributable to shareholders of Noble Treasure as at 31 December 2014; and (ii) the carrying amount of the Sale Loan of HK\$231.0 million. The Directors (excluding the independent non-executive directors whose views are set out in the Letter from the Independent Board Committee in this circular) consider that the consideration of the Disposal is fair and reasonable and in the interest of the Independent Shareholders as a whole.

As mentioned in the section "Information of the Disposal Group" above, the Disposal Group has been in a consistent loss-making positions. The Disposal Group was also recorded a net liabilities attributable to owners of the Disposal Group of approximately HK\$24.2 million, HK\$63.2 million and HK\$94.8 million as at 31 December 2013, 31 December 2014 and 30 June 2015 respectively. The net liabilities as at 31 December 2013 was due to the accumulated loss incurred in the previous years.

In assessing the fairness and reasonableness of the Consideration, we have also considered using the price-to-earnings ("PER") and the price-to-book ("PBR") approaches, which are widely adopted approaches for valuation and comparison purposes, where we would compare the PER and the PBR represented by the Consideration with the PERs and PBRs of other companies principally engaged in distribution businesses of multimedia products and computer accessories and gaming products and toys. However, as the Disposal Group recorded a net loss for the year ended 31 December 2014 and had net liabilities as at 31 December 2014, we consider that the PER and PBR approaches are not applicable and would not provide meaningful results. In addition, we have also considered using Enterprise value/Earnings before interest, tax, depreciation and amortisation ("EV/EBITDA") approach. Since the EBITDA of the Disposal Group was negative, we consider that the EV/EBITDA approach is also not applicable and would not provide meaningful results. As such, in assessing the fairness and reasonableness of the Consideration, we have considered the totality of facts pertaining to the Disposal and the Disposal Group.

Having considered that:

- (i) the entire amount of the Consideration will be paid in cash without any non-cash payment;
- (ii) the Disposal Group has been in a consistent loss-making positions and recorded net liabilities attributable to owners of the Disposal Group of approximately HK\$94.8 million as at 30 June 2015;

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## LETTER FROM MESSIS CAPITAL

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- (iii) the Consideration was determined after taking into account the carrying amount of the Sale Loan after adjusting for the net liabilities of the Disposal Group and the Disposal can prevent the Group from incurring additional loss;
- (iv) a disposal gain shall be recorded by the Remaining Group as a result of the Disposal; and
- (v) as advised by the Directors, there is no other alternative offer (which is further discussed below),

we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

*(iii) Alternative offers*

As discussed above, the Disposal Group has been in a consistent loss-making positions and recorded net liabilities attributable to owners of the Disposal Group of approximately HK\$94.8 million as at 30 June 2015. As advised by the Directors, there is no other alternative offer in relation to the Disposal. Due to the lack of any alternative offer, if the Company does not proceed with the Disposal, the only alternative would be having the Disposal Group retained in the Group. Having considered that the totality of facts pertaining to the Disposal and the Disposal Group as discussed above including in particular the loss-making and net liabilities positions of the Disposal Group as well as the fact that the Consideration was determined on a dollar-to-dollar basis, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

*(iv) Possible financial effect of the Disposal*

(i) Effect on earnings

Upon the Disposal Completion and the Corporate Reorganisation Completion, the Company will cease to hold any interest of the Disposal Group and the Disposal Group will cease to be subsidiaries of the Company. As a result, the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group. Since the Disposal Group recorded loss attributable to owners of the Disposal Group of approximately HK\$32.0 million for the six months period ended 30 June 2015, the earnings of the Group is expected to be improved upon Disposal.

In addition, the Group will record a gain on disposal of approximately HK\$0.5 million as disclosed in the Letter from the Board resulting in the improvement of the earnings of the Group.

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## LETTER FROM MESSIS CAPITAL

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(ii) Effect on liquidity position

It is expected the Group's cash position will increase by HK\$169,800,000 and the liquidity of the Group will be enhanced as the consideration of the Disposal is to be fully settled by cash.

(iii) Effect on net assets value

Upon the Disposal Completion and the Corporate Reorganisation Completion, the Company will cease to hold any interest of the Disposal Group and the Disposal Group will cease to be subsidiaries of the Company. Since the Disposal Group was in a net liabilities position as at 31 December 2014, it is estimated that the net assets of the Group will increase as a result of the Disposal.

Based on the abovementioned, we consider that the possible financial effects of the Disposal are favourable to the Group.

### ***3. Conclusion for the Disposal***

Having taken into account the principal factors discussed above, we are of the view that, although the Disposal is not in the ordinary and usual course of business of the Company, it is on normal commercial terms or better, fair and reasonable so far as the Company and Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Disposal.

## **(B) Master Sale Agreement – continuing connected transactions**

### ***1. Background of the Master Sale Agreement***

On 7 August 2015, Telefield Holdings and Noble Treasure entered into the Master Sale Agreement (as supplemented on 7 September 2015) in relation to the provision of EMS Products by the Remaining Group for a period commencing from the date of Disposal Completion to 31 December 2016. The proposed annual caps for the two years ending 31 December 2015 and 2016 respectively contemplated under the Master Sale Agreement (“**Annual Cap**”) was HK\$5 million and HK\$18 million.

Details of the terms of the Master Sale Agreement are set out in the Letter from the Board in the Circular.

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## LETTER FROM MESSIS CAPITAL

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### ***2. Reasons for and benefits of entering into the Master Sale Agreement***

As disclosed in the Letter from the Board, the management of the Company believes that entering into the Master Sale Agreement would generate steady income for the Remaining Group. The management of the Remaining Group anticipates that the expected utilization rate of the surface-mount technology and assembly lines are approximately 80% and 85% respectively, which are wholly used for the EMS business.

We note that the Remaining Group will be principally engaged in (i) distribution of business phone systems under the RCA brand; and (ii) EMS business originally engaged by the Group with manufacturing facilities located in Guangzhou upon Share Sale Completion. Major products manufactured under the EMS business of the Remaining Group are electronic consumer products including but not limited to residential and business phones, beauty consumer products, home appliances and appliance control products.

Having considered the nature of the transactions contemplated under the Master Sale Agreement (provide various EMS Products and services) as well as the principal business activities of the Remaining Group, we are of the view that entering into the Master Sale Agreement are of a revenue nature for the Group and are in the ordinary and usual course of business of the Group.

### ***3. Principal terms of the Master Sale Agreement***

Pursuant to the Master Sale Agreement, the Remaining Group has agreed to provide various EMS Products and services (including sourcing and procurement, production and after-sales services) to the Disposal Group, for which the Remaining Group shall produce, assemble, test, label, package and deliver the EMS Products in accordance with the specifications ordered by the Disposal Group, subject to and upon the terms and conditions of the Master Sale Agreement. We understand from the management of the Remaining Group that no same or similar products, which have been sold to the Disposal Group, have been provided to the independent third party in the past. The products sold by the Remaining Group to the Disposal Group are GPS module, modem and professional amplifiers. The design and intellectual property right of the technologies involved in relation to the GPS module, modem and professional amplifiers are owned by the Disposal Group, resulting in the unique and specific nature of the aforesaid products of the Disposal Group. Therefore, the Remaining Group is not capable of supplying the same or similar products (which have been sold to the Disposal Group) to other independent third parties in the past.

Since no same or similar products have been provided to the independent third party in the past, the Remaining Group has set several terms below in the Master Sale Agreement for the provision of EMS Products by the Remaining Group to the Disposal Group for a period commencing from the date of Disposal Completion to 31 December 2016. As stated in the Master Sale Agreement, (i) the pricing for the supply of the EMS

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Products to the Disposal Group and the pricing for the supply of the same or similar products to independent third parties, if any, shall be determined using the same pricing formula; (ii) the sales of the same or similar EMS Products by the Remaining Group to the Disposal Group, when compared to those offered to the independent third parties of the same period, shall be on terms no less favourable from the Group's perspective; (iii) the mark-up percentage by using the general pricing formula for each transaction should not be less than a certain specified minimum percentage of the transaction prices and the yearly average mark-up percentage for the EMS Products supplied by the Remaining Group to the Disposal Group should be 9.6% (represents the average mark-up percentage calculated by the general pricing formula of the EMS Product for the six months ended 30 June 2015) or higher; (iv) the Disposal Group should obtain at least two quotations of the provision of EMS Products (i.e. GPS module, modem and professional amplifiers) from other suppliers and the price charged by the Remaining Group in relation to the provision of EMS Products to the Disposal Group should be equal to or higher than the highest price among the two quotations obtained by the Disposal Group, and the quotations should be reviewed by the project team and marketing team and approved by the top management; and (v) the selling price of the EMS Products supplied by the Group to the Disposal Group should be the highest price as determined on the basis described in points (iii) and (iv) above.

As discussed with the management of the Remaining Group, we understand that in determining the transaction prices of the EMS Products, the Remaining Group uses a cost-plus approach and it is a policy of the Remaining Group that the mark-up percentage should not be less than a certain specified minimum percentage of the transaction prices by using the general pricing formula. We have reviewed the general pricing formula and note that it is determined mainly with reference to (i) the material costs and (ii) the assembly costs. The actual mark-up percentage for different customers and different products are determined with reference to (i) the ordering quantity by the purchaser; (ii) the severity of prevailing market competition; (iii) the difficulties and effort spent on the research and development of the EMS Products; (iv) the specific authority approval the Remaining Group should be obtained for processing the EMS Products; and (v) the specific requirement (i.e. tailor made design) requested by the purchaser.

The general pricing formula was set and also reviewed by the executive directors and the management of the Group. The aim of setting the general pricing formula was (i) to ensure the Group to maintain a positive gross profit margin; and (ii) to standardise the pricing method for improving the efficiency of the Group despite there are different business units to handle different product category and the customers. After setting the general pricing formula, the executive directors and the management have reviewed the effectiveness of the aforesaid formula by reference to (i) the financial performance of the EMS business; and (ii) the competitiveness of the Group in the industry. We note from the Annual Report and the interim results announcement that the segment revenue of the EMS business was HK\$886.8 million, HK\$937.4 million and HK\$436.0 million for the two years ended 31 December 2014 and the six months ended 30 June 2015 respectively. We also note that the segment profit of the EMS business was HK\$45.1 million, HK\$58.1



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million and HK\$31.2 million for the two years ended 31 December 2014 and the six months ended 30 June 2015 respectively. Having considered that (i) the general pricing formula takes into account (a) the material costs and (b) the assembly costs, which are the major operating costs of the EMS business; (ii) the general pricing formula applies to all customers, including the Disposal Group and other independent third parties; (iii) the revenue of the EMS business demonstrated an increasing trend since 2013; and (iv) the EMS business has been profitable, we consider that the general pricing formula is a reasonable reference to determine the mark up percentage.

As stated above, no same or similar products, which have been sold to the Disposal Group, have been provided to the independent third party in the past. Therefore, we are not able to compare the exact pricing term offered to the Disposal Group and independent third parties. Based on the above, in assessing the fairness and reasonableness of terms of the Master Sale Agreement, we reviewed the pricing basis and the payment terms for the EMS Products offered by the Remaining Group to the Disposal Group and the products, which are under the category of EMS, sold to independent third parties. We have randomly selected and carried out a review of 12 sample copies of agreements and invoices of the Remaining Group in respect of transactions carried out in 2015 with the Disposal Group and with other customers who are independent third parties of the Remaining Group, including 2 samples in respect of transactions with each of the Remaining Group's top 5 customers and 2 samples in respect of transactions with the Disposal Group. Having considered that (i) the samples were selected randomly; (ii) the transactions we reviewed were carried out in 2015; (iii) the samples cover the transactions between the Remaining Group and its top 5 customers; (iv) the total revenue of the top 5 customers contributed approximately 62.5% of the total revenue of the EMS business of the Remaining Group; and (v) as advised by the management, the same pricing formula applies to all customers, including the Disposal Group and independent third parties and same payment terms will be applied to same customer, we are of the view that such samples are fair and representative for the purpose of our comparison in assessing the fairness and reasonableness of the pricing basis and the payment terms under the Master Sale Agreement.

We consider that such review was relevant because it is stated in the Master Sale Agreement that the pricing for the supply of the EMS Products to the Disposal Group and the pricing for the supply of the same or similar products to independent third parties shall be determined using the same pricing formula, and the supply of the same or similar EMS Products by the Remaining Group to the Disposal Group, when compared to those offered to the independent third parties of the same period, shall be on terms no less favourable from the Group's perspective. Based on our review of the randomly selected sample invoices, we note that (i) both the pricing of EMS Products sold to the Disposal Group and the products, which are under the category of EMS, sold to independent third parties are determined with the same formula approach; (ii) the general pricing formula applies to all customers, including the Disposal Group and independent third parties and has been reviewed by the finance team and monitored by the project team, marketing team and top management and the mark-up percentage by using the general pricing formula for each

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transaction has not been less than a certain specified minimum percentage of the transaction prices; and (iii) the payment terms offered by the Remaining Group to the Disposal Group, when compared to those offered to the independent third parties, were no less favourable from the Group's perspective.

In addition, we have reviewed the summary report, which was prepared by the finance team, in relation to the mark-up percentage calculated by the general pricing formula of the EMS Product (i.e. GPS module, modem and professional amplifiers) supplied by the Remaining Group to the Disposal Group for the six months ended 30 June 2015. We note that the average mark-up percentage was approximately 9.6% for the EMS Products supplied by the Remaining Group to the Disposal Group.

Taking into account that (i) the Master Sale Agreement will enable the Remaining Group to generate steady income from the sales of various EMS Products and services to the Disposal Group; (ii) the production capacity has not yet been fully utilised and the sales of various EMS Products and services to the Disposal Group can generate a positive gross profit; (iii) the general pricing formula applies to all customers, including the Disposal Group and independent third parties and has been reviewed by the finance team and monitored by the project team, marketing team and top management; (iv) the mark-up percentage by using the general pricing formula for each transaction should not be less than a certain specified minimum percentage of the transaction prices, and the yearly average mark-up percentage for the EMS Products supplied by the Remaining Group to the Disposal Group should be 9.6% (representing the average mark-up percentage of the EMS Products for the six months ended 30 June 2015) or higher; (v) the Disposal Group should obtain at least two quotations of the provision of EMS Products (i.e. GPS module, modem and professional amplifiers) from other suppliers and the price charged by the Remaining Group in relation to the provision of EMS Products to the Disposal Group should be equal to or higher than the highest price among the two quotations obtained by the Disposal Group, and the quotations should be reviewed by the project team and marketing team and approved by the top management; (vi) the selling price of the EMS Products supplied by the Group to the Disposal Group should be the highest price as determined on the basis described in points (iv) and (v) above; (vii) the payment terms offered by the Remaining Group to the Disposal Group, when compared to those offered to the independent third parties, were no less favourable from the Group's perspective; and (viii) it is stated in the Master Sale Agreement and confirmed by the management of the Remaining Group that the selling prices of the same or similar EMS Products supplied by the Group to the Disposal Group will be equal to or higher than that charged to independent third parties, if any, in the future, we are of the view that the terms of the Master Sale Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Annual Caps**

The following table below summarise the proposed Annual Caps under the Master Sale Agreement and the historical sales figures in relation to the sales of EMS product and related services.

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*Proposed Annual Caps*

	<b>For the year ending</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Annual Caps	5	18

*Historical sales figures*

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>seven months</b>
	<b>2013</b>	<b>2014</b>	<b>ended 31 July</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<b>2015</b>
			<i>(HK\$ million)</i>
Transaction amount	5.6	9.7	17.3

As set out in the table above, we note that the historical sales amount increased substantially from HK\$5.6 million for the year ended 31 December 2013 to HK\$17.3 million for the seven months ended 31 July 2015. As discussed with the management of the Group, in setting the Annual Caps, the Remaining Group mainly made reference to the historical sales for the seven months ended 31 July 2015 as the management of the Remaining Group are of the view that the sales to Disposal Group in 2015 can reflect the latest market situation of the distribution business and the latest level of the sales of EMS Products to the Disposal Group. We have also discussed with the management of the Disposal Group and understand that although the financial performance of the distribution business of the Disposal Group was not satisfactory, the Disposal Group are intended to continue its distribution business for the coming year. We also note that the monthly sales of EMS Products to the Disposal Group in 2015 was approximately HK\$2.5 million. The proposed annual cap in 2015 represents the expected sales in November and December 2015 and has been made with reference to the historical monthly sales in 2015.

In estimating the proposed annual cap in 2016, the management of the Remaining Group has also made reference to the historical monthly sales in 2015. However, we note that the proposed annual cap in 2016 was lower than the annualised sales in 2015. As discussed with the management of the Remaining Group, we understand that one of the major customers of the Disposal Group may not procure the EMS Products from the Disposal Group in 2016. Therefore, the estimation of the annual cap in 2016 has been adjusted accordingly. The Remaining Group is principally engaged in (i) the EMS business and (ii) the distribution business of phone systems under the RCA brand. The proposed annual cap for the year ending 31 December 2016 was approximately 1.7% of the total revenue of the Remaining Group and approximately 1.9% of the total revenue of the EMS business of the Remaining Group for the year ended 31 December 2014 respectively.

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### *Our view*

Having considered that:

- (i) the transactions of EMS Products between the Remaining Group and the Disposal Group have started since November 2011 which was treated as an intra-group sales between the Group and was eliminated by consolidated adjustments in the Group's consolidated financial statements;
- (ii) the proposed Annual Caps have been made with reference to the historical monthly sales in 2015, which reflects the latest market situation of the distribution business and the latest level of the sales of EMS Products to the Disposal Group;
- (iii) the Disposal Group intends to continue its distribution business for the coming year;
- (iv) the Remaining Group has taken into account the Disposal Group's potential loss of a major customer in setting the annual cap for 2016; and
- (v) the Remaining Group has not expected increase in supply of the EMS Product to the Disposal Group because the business environment for the distribution business of multimedia products and computer accessories and gaming products and toys is expected to remain lackluster,

we are of the view that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

However, the Shareholders should note that the Annual Caps are determined based on various factors relating to future events and they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual amounts to be received by the Remaining Group will correspond with the Annual Caps.

### **5. *Measures to safeguard interests of Independent Shareholders***

In compliance with the annual review requirements under the Listing Rules, the Company will comply with the following during the term of the Master Sale Agreement:

- (i) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the Company's annual report and accounts that the continuing connected transactions have been entered into:
  - in the ordinary and usual course of business of the Group;
  - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

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- in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the continuing connected transaction:
- have received the approval of the Board;
  - have been entered into, in all material aspects, in accordance with the relevant agreement governing the continuing connected transaction; and
  - have not exceeded the annual cap;

Having considered, in particular, (i) the restriction of the value of the continuing connected transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the continuing connected transactions and the Annual Caps not being exceeded, we are of the view that there are appropriate measures in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having taken into account the principal factors discussed above, we are of the view that, the terms of the Master Sale Agreement, the Annual Caps and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Master Sale Agreement, the Annual Caps and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**

**Kinson Li**  
*Managing Director*

**Thomas Lai**  
*Chief Executive Officer*

*Note:* Mr. Thomas Lai and Mr. Kinson Li are licensed persons registered with the SFC and responsible officers of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 19 and 17 years of experience, respectively, in corporate finance industry.

## 1. FINANCIAL INFORMATION

Details of the published financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.telefieldgroup.com.hk/>):

- (i) annual report of the Company for the year ended 31 December 2012 published on 18 April 2013 (pages 50 to 146);

*<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0418/LTN20130418571.pdf>*

- (ii) annual report of the Company for the year ended 31 December 2013 published on 24 April 2014 (pages 51 to 166);

*<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0424/LTN20140424652.pdf>*

- (iii) annual report of the Company for the year ended 31 December 2014 published on 23 April 2015 (pages 53 to 182);

*<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0423/LTN20150423194.pdf>*

- (iv) interim results announcement of the Company for the six months ended 30 June 2015 published on 24 August 2015 (pages 2 to 10);

*<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0824/LTN201508241467.pdf>*

## 2. STATEMENT OF INDEBTEDNESS

### (a) Borrowings

As of the close of business on 31 July 2015 being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total borrowings comprising (i) bank borrowings of HK\$101.0 million, (ii) bank overdrafts of HK\$2.6 million and (iii) other loans from an independent third party of HK\$8.5 million.

The above bank borrowings and bank overdrafts of the Group are guaranteed by corporate guarantees totalling HK\$103.6 million issued by the Company, certain subsidiary, certain non-controlling shareholders and personal guarantee by a director of a subsidiary.

The other loans are unsecured and unguaranteed.

**(b) Financial liabilities at fair value through profit or loss**

As at 31 July 2015, the Group has financial liabilities at fair value through profit or loss amounted to HK\$1.4 million.

**(c) License fee payable**

As at 31 July 2015, the Group has license fee payable at nominal value of HK\$38.2 million.

**(d) Contingent liabilities**

As at 31 July 2015, the Group has the following material contingent liabilities:

- (i) the Group has two 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\$8.5 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;
- (ii) 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 as at 31 July 2015 were approximately HK\$39.3 million and HK\$98.9 million respectively;
- (iii) 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
- (iv) 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.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have, as at the close of business on 31 July 2015, any material loan capital, issued and outstanding or agreed to be issued, borrowings, bank overdrafts, charges, debentures or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgages, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.



**3. WORKING CAPITAL STATEMENT**

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations, the present facilities available and also the proceeds from the Disposal, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

**4. MATERIAL ADVERSE CHANGE**

Reference is made to the interim results announcement of the Company dated 24 August 2015. Save for the turn into a loss attributable to owners of the Company for the six months period ended 30 June 2015 which was mainly attributable to the drop in other income of the Company for the six months period ended 30 June 2015 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 Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up to.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

Upon Disposal Completion, the Group intends to continue the principal business which comprises of EMS business and distribution of communication products. The Offeror will, following the completion of the Offer, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. In addition, in order to broaden its income source and to accelerate the Group's growth and future development, the Offeror will explore and consider any other investment and business opportunities that may arise in the market from time to time that it considers value-enhancing to Shareholders and/or otherwise in the best interests of the Group.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of SFO); or (b) which were required, pursuant to section 352 of SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules were as follows:

#### *Long Positions in the Shares*

##### (i) *Ordinary Shares*

Name of Directors	Capacity/Nature of interests	Number of issued ordinary Shares held	Approximate percentage of issued share capital of the Company
Mr. Cheng	Interest in controlled corporation ( <i>Note</i> )	243,942,000	59.25%
	Interest in controlled corporation ( <i>Note</i> )	30,646,000	7.44%
Mr. Lee Kai Bon	Beneficial owner	2,634,000	0.64%
Mr. Ng Kim Yuen	Beneficial owner	2,640,000	0.64%

Name of Directors	Capacity/Nature of interests	Number of issued ordinary Shares held	Approximate percentage of issued share capital of the Company
Ms. Fok Pui Yin	Beneficial owner	1,950,000	0.47%
Mr. Poon Ka Lee Barry	Beneficial owner	540,000	0.13%

*Note:* Mr. Cheng Han Ngok Steve holds approximately 53.68% interest in Century Win and Century Win respectively holds approximately 53.30% interest in each of Dragon Fortune and Telefield Charitable. Therefore, Mr. Cheng is deemed or taken to be interested in all the Shares which are beneficially owned by each of Dragon Fortune and Telefield Charitable.

(ii) *Share Options*

Name of Directors	Capacity/Nature of interests	Number of Share Options held	Number of underlying Shares	Approximate percentage of issued share capital of the Company
Mr. Poon Ka Lee Barry	Beneficial owner	4,117,140	4,117,140	1.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives and their associates had or were deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of SFO); or (b) which were required, pursuant to section 352 of SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

## (ii) Substantial Shareholder's interests and short positions in the Shares

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, the interests and short positions of the persons (other than the Directors and the chief executive of the Company) or corporations in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Directors	Capacity/Nature of interests	Number of issued ordinary Shares held	Approximate percentage of issued share capital of the Company
Dragon Fortune	Beneficial owner	243,942,000	59.25%
Telefield Charitable	Beneficial owner	30,646,000	7.44%
Century Win	Interest in controlled Corporation ( <i>Note 1</i> )	243,942,000	59.25%
	Interest in controlled Corporation ( <i>Note 2</i> )	30,646,000	7.44%
Mr. Cheng	Interest in controlled Corporation ( <i>Note 3</i> )	243,942,000	59.25%
	Interest in controlled Corporation ( <i>Note 3</i> )	30,646,000	7.44%
Ms. Cheng	Interest in controlled Corporation ( <i>Note 4</i> )	243,942,000	59.25%
	Interest in controlled Corporation ( <i>Note 4</i> )	30,646,000	7.44%
Power Port Holdings Limited	Beneficial owner ( <i>Note 5</i> )	274,588,000	66.69%
Mr. Yang Zhihui	Interest in controlled Corporation ( <i>Note 6</i> )	274,588,000	66.69%
Ms. Xu Ning	Interest of spouse ( <i>Note 7</i> )	274,588,000	66.69%

*Notes:*

- (1) Century Win holds approximately 53.30% interest in Dragon Fortune. Therefore, Century Win is deemed or taken to be interested in all the Shares which are beneficially owned by Dragon Fortune for the purpose of the SFO.
- (2) Century Win holds approximately 53.30% interest in Telefield Charitable. Therefore, Century Win is deemed or taken to be interested in all the Shares which are beneficially owned by Telefield Charitable for the purpose of the SFO.
- (3) Mr. Cheng holds approximately 53.68% interest in Century Win and Century Win respectively holds approximately 53.30% interest in each of Dragon Fortune and Telefield Charitable. Therefore, Mr. Cheng is deemed or taken to be interested in all the Shares which are beneficially owned by each of Dragon Fortune and Telefield Charitable.

- (4) Mrs. Cheng holds approximately 46.32% interest in Century Win and Century Win respectively holds approximately 53.30% interest in each of Dragon Fortune and Telefield Charitable. Therefore, Mrs. Cheng is deemed or taken to be interested in all the Shares which are beneficially owned by each of Dragon Fortune and Telefield Charitable.
- (5) On 22 May 2015, Dragon Fortune and Telefield Charitable have charged all their rights, title and interest in all those shares beneficially owned by them in favour of Power Port Holdings Limited.
- (6) Mr. Yang Zhihui wholly owns Power Port Holdings Limited. Therefore, Mr. Yang Zhihui is deemed or taken to be interested in all the Shares which are beneficially owned by Power Port Holdings Limited.
- (7) Ms. Xu Ning is the spouse of Mr. Yang Zhihui. Under the SFO, Ms. Xu Ning is deemed or taken to be interested in the same number of Shares in which Mr. Yang Zhihui is interested.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, no other person (other than the Directors and the chief executive of the Company) had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

### **3. DIRECTORS' INTERESTS**

#### **(i) Interests in contract or arrangement**

Save for the Disposal Agreement and the Master Sale Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

#### **(ii) Interests in assets**

Save for the Noble Treasure Shares to be acquired by Dragon Fortune under the Disposal Agreement, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Company were made up.

#### **(iii) Interests in competing business**

As at the Latest Practicable Date, none of the Directors and their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### 4. LITIGATION AND CLAIMS

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group:

- (i) the Group has two 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\$8.5 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;
- (ii) 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 as at 31 July 2015 were approximately HK\$39.3 million and HK\$98.9 million respectively;
- (iii) 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
- (iv) 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.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 6. EXPERTS AND CONSENTS

The followings are the qualification of the experts who have given opinions or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Veda Capital Limited (“ <b>Veda</b> ”)	A licensed corporation for Type 6 (advising on corporate finance) regulated activity under the SFO
Messis Capital	A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
RSM Nelson Wheeler (“ <b>RSM</b> ”)	Certified Public Accountants

Each of Veda, Mesis Capital and RSM has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, all of the experts above were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2014 (the date to which the latest published audited financial statements of the Company were made up).

## 7. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the Disposal Agreement;
- (ii) the supplemental agreement dated 7 August 2015 in relation to the Disposal Agreement;
- (iii) the Master Sale Agreement;

- (iv) the supplemental agreement dated 7 September 2015 in relation to the Master Sale Agreement;
- (v) the acquisition agreement dated 14 January 2014 entered into among Phoenix Choice (being the purchaser), Ace Choice Global Limited (being the vendor) and Lucky Century International Limited (being the target company) in relation to the acquisition of 51% of the issued share capital of Lucky Century International Limited by Phoenix Choice at the consideration of US\$1,600,000 (equivalent to approximately HK\$12,400,000); and
- (vi) the subscription and shareholders' agreement dated 14 January 2014 entered into between Affonso, Telefield (BVI), a wholly-owned subsidiary of the Company and Radell Holdings Limited (being the subscriber), pursuant to which Radell Holdings Limited agreed to subscribe for the 49% of the issued shares of Affonso, at the subscription price of US\$800,000 (equivalent to approximately HK\$6,200,000).

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong from 9:00 a.m. to 6:00 p.m. on any Business Day from the date of this circular up to and including the closing date of the EGM:

- (i) the memorandum of association and the articles of association of the Company;
- (ii) the annual reports of the Company for each of the three financial years ended 31 December 2012, 2013 and 2014;
- (iii) the interim results announcement of the Company for six months period ended 30 June 2015;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 29 of this circular;
- (v) the letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 30 to 51 of this circular;
- (vi) the written consents referred to in the paragraph headed "Experts and consents" of this appendix;
- (vii) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and
- (viii) this circular.

**9. MISCELLANEOUS**

- (i) The registered office of the Company is situated at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108 and its head office and principal place of business in Hong Kong is at Units 609-610 6/F, Bio-Informatics Centre No. 2 Science Park West Avenue Hong Kong Science Park Shatin, New Territories Hong Kong.
- (ii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The company secretary of the Company is Mr. Poon Ka Lee Barry, who is a practicing member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Public Accountants.
- (iv) In the event of any inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text of the same.



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## NOTICE OF EGM

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# Telefield

## 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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of TELEFIELD INTERNATIONAL (HOLDINGS) LIMITED (the “**Company**”) will be held at Longchamps Room, 3/F, Regal Kowloon Hotel, 71 Mody Road, Tsim Sha Tsui on Friday, 25 September 2015 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the conditional agreement dated 22 May 2015 (as supplemented on 7 August 2015) entered into between the Company and Dragon Fortune International Limited (“**Dragon Fortune**”) in relation to the disposal (the “**Disposal**”) of (1) the entire issued share capital of Noble Treasure Holdings Limited (“**Noble Treasure**”), a company which will hold a group of companies and subsidiaries after the completion of its acquisition of the entire issued share capital in each of Affonso Limited, Alagona Holdings Limited, Calibre Holdings Limited, Macar Holdings Limited and Phoenix Choice Holdings Limited (the “**Corporate Reorganisation**”) and (2) as at the completion of the Disposal, the net amount owed by Noble Treasure and its subsidiaries upon the completion of the Corporate Reorganisation (the “**Disposal Group**”) to the Company and the Company’s subsidiaries upon the completion of the Disposal (the “**Remaining Group**”), by the Company to Dragon Fortune at a consideration of HK\$169,800,000 (the “**Disposal Agreement**”) (a copy of which is tabled at the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification), which constitutes:
- (i) a major transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”);
- (ii) a connected transaction under Chapter 14A of the Listing Rules; and
- (iii) a special deal under Rule 25 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”),

and all transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and

- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where appropriate, which they consider necessary, desirable or expedient for the implementation of and giving effect to the Disposal Agreement and the transactions contemplated thereunder.”

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## NOTICE OF EGM

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*Note:* Shareholders who are not the Independent Shareholders (as defined in the circular of the Company dated 9 September 2015) are required to abstain from voting on this resolution numbered 1.

2. **“THAT:**

(a) the master electronics manufacturing services agreement dated 7 August 2015 (as supplemented on 7 September 2015) entered into between Noble Treasure and Telefield Holdings Limited (“**Telefield Holdings**”), a direct wholly-owned subsidiary of the Company (the “**Master Sale Agreement**”) (a copy of which is tabled at the meeting marked “B” and initialled by the chairman of the meeting for the purpose of identification) in relation to the provision of various wireless communication products, audio equipment products and other relevant electronic products and ancillary parts and services (including sourcing and procurement, production and after-sales services) by the Remaining Group to the Disposal Group for a period commencing from the date of the completion of the Disposal to 31 December 2016, which constitutes:

(i) continuing connected transactions under Chapter 14A of the Listing Rules; and

(ii) a special deal under Rule 25 of the Takeovers Code,

and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) the proposed annual caps in relation to the transactions under the Master Sale Agreement for each of the two years ending 31 December 2015 and 2016 will not exceed HK\$5 million and HK\$18 million, respectively, be and are hereby approved; and

(c) the directors of the Company be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the Master Sale Agreement and any or all the matters contemplated thereunder.”

*Note:* Shareholders who are not the Independent Shareholders (as defined in the circular of the Company dated 9 September 2015) are required to abstain from voting on this resolution numbered 2.

Yours faithfully,  
For and on behalf of the Board  
**TELEFIELD INTERNATIONAL (HOLDINGS) LIMITED**  
**Cheng Han Ngok Steve**  
*Chairman*

Hong Kong, 9 September 2015

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## NOTICE OF EGM

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*Registered Office:*

Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Head office and principal place of*

*Business in Hong Kong:*  
Units 609-610  
6/F, Bio-Informatics Centre  
No. 2 Science Park West Avenue  
Hong Kong Science Park  
Shatin, New Territories  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting of the Company convened by the above notice is entitled to appoint one or more proxy to attend and vote on his behalf. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the office of the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre 183 Queen's Road East Hong Kong not later than 48 hours before the time of holding the meeting of the Company or any adjourned meeting.
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. All of the above resolutions will be voted by way of poll at the EGM.
6. As at the date of this notice, the board of Directors comprises Mr. Cheng Han Ngok Steve, Mr. Poon Ka Lee Barry, Mr. Ng Kim Yuen, Ms. Fok Pui Yin and Mr. Lee Kai Bon as the executive Directors; Mr. Au-Yang Cheong Yan Peter, Dr. Kwan Pun Fong Vincent and Dr. Xue Quan as independent non-executive Directors.