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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

- Achieved turnover of HKD1,145.5 million for the year ended 31 December 2010, increased by 39.4% year over year
- Profit attributable to owners of the Company was higher than the profit estimate set out in the prospectus of the Company by 3.4%
- Recommended final dividend of HK cents 1.8 per share

The board of directors (the "Board") of Telefield International (Holdings) Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 (the "Year" or the "Period"), together with the comparative figures of 2009, which had been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The 2010 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 25 March 2011.

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Revenue	*4*	**1,145,542**	821,898
Cost of goods sold		**(892,929)**	(634,166)
Gross profit		**252,613**	187,732
Other income	*5*	**13,243**	12,371
Selling and distribution expenses		**(73,022)**	(39,851)
Administrative expenses		**(79,086)**	(52,996)
Other operating expenses		**(40,858)**	(22,507)
Profit from operations		**72,890**	84,749
Finance costs	*6*	**(4,425)**	(947)
Gain on disposal of subsidiaries		**–**	1,596
Profit before tax		**68,465**	85,398
Income tax expense	*7*	**(12,754)**	(12,731)
Profit for the year		**55,711**	72,667
Attributable to:			
Owners of the Company		**69,921**	76,216
Non-controlling interests		**(14,210)**	(3,549)
		55,711	72,667
Earnings per share			
Basic (HK cents)	*9*	**23.31**	25.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Fixed assets		**63,324**	57,713
Intangible assets		**39,715**	48,616
Available-for-sale financial assets		**–**	–
Deferred tax assets		**7,690**	10,520
		110,729	116,849
Current assets			
Inventories		**151,862**	112,806
Trade receivables	*10*	**154,338**	158,640
Prepayments, deposits and other receivables		**40,330**	12,274
Derivative instruments		**2,361**	–
Amount due from a related company		**–**	15
Current tax assets		**1,601**	2,431
Bank and cash balances		**58,913**	68,622
		409,405	354,788
Current liabilities			
Trade payables	*11*	**115,313**	107,116
Accruals and other payables		**107,677**	103,352
Financial liabilities at fair value through profit or loss		**8,321**	5,692
Derivative instruments		**154**	–
Amount due to a shareholder		**–**	18,255
Bank borrowings		**62,613**	28,591
Product warranty provision		**13,355**	12,968
Current tax liabilities		**7,780**	11,205
		315,213	287,179
Net current assets		**94,192**	67,609
Total assets less current liabilities		**204,921**	184,458

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2010 (Cont'd)

	2010	2009
	HK$'000	*HK$'000*
Non-current liabilities		
Financial liabilities at fair value through profit or loss	**17,770**	21,479
Deferred tax liabilities	**14,880**	17,109
	32,650	38,588
NET ASSETS	**172,271**	145,870
Capital and reserves		
Share capital	**–**	–
Reserves	**187,165**	146,681
Equity attributable to owners of the Company	**187,165**	146,681
Non-controlling interests	**(14,894)**	(811)
TOTAL EQUITY	**172,271**	145,870

NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2010

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the Group on 31 December 2010. Further details of the Group Reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix VI to the prospectus of the Company dated 14 January 2011 (the "Prospectus").

The financial statements of the Group have been prepared in accordance with the principles and procedures of merger accounting as set out in Accounting Guideline 5 ("AG 5") "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the Group Reorganisation and the Acquisition had occurred from the date when the combining entities first came under the control of the Controlling Shareholders.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of leasehold land and building, derivative instruments and financial liabilities at fair value through profit or loss which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

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

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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

3. SEGMENT INFORMATION

The Group has three reportable segments as follows:

EMS	–	Electronic Manufacturing Services
Licensed Brand Business	–	Marketing and distribution of "RCA" branded SMB phone systems in the U.S.A. and Canada
Own Brand Business	–	Assembling, marketing and distribution of "TrekStor" branded products such as portable storage devices and multimedia products in Europe

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(a) Information about reportable segment profit or loss, assets and liabilities:

	EMS *HK$'000*	**Licensed Brand Business** *HK$'000*	**Own Brand Business** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2010				
Revenue from external customers	764,012	158,382	223,148	1,145,542
Intersegment revenue	93,391	–	–	93,391
Segment profit/(loss)	93,233	5,725	(28,017)	70,941
Interest revenue	38	1	–	39
Interest expense	1,233	–	3,192	4,425
Depreciation and amortisation	12,839	6,999	705	20,543
Staff costs	124,341	5,374	35,264	164,979
Income tax expense/(credit)	10,875	2,088	(209)	12,754
Additions to segment non-current assets	15,949	22	255	16,226
As at 31 December 2010				
Segment assets	422,959	100,676	91,416	615,051
Segment liabilities	194,135	77,385	99,104	370,624

3. SEGMENT INFORMATION (CONT'D)

(a) Information about reportable segment profit or loss, assets and liabilities (cont'd):

	EMS *HK$'000*	Licensed Brand Business *HK$'000*	Own Brand Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2009				
Revenue from external customers	681,876	117,367	22,655	821,898
Intersegment revenue	74,328	–	–	74,328
Segment profit/(loss)	84,328	4,956	(3,341)	85,943
Interest revenue	64	–	–	64
Interest expense	937	–	10	947
Depreciation and amortisation	11,151	5,507	120	16,778
Staff costs	103,306	6,074	10,598	119,978
Income tax expense/(credit)	10,506	2,252	(27)	12,731
Discount on acquisitions	–	2,436	6,574	9,010
Additions to segment non-current assets	16,325	35,463	20,248	72,036
As at 31 December 2009				
Segment assets	378,028	113,781	62,470	554,279
Segment liabilities	194,625	98,085	59,501	352,211

3. **SEGMENT INFORMATION (CONT'D)**

(b) Geographical information:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Americas	**322,083**	319,136
Europe	**567,835**	267,687
Asia-Pacific and Japan	**255,624**	235,075
Consolidated total	**1,145,542**	821,898

	2010	2009
	HK$'000	*HK$'000*
Non-current assets		
Americas	**22,978**	29,956
Europe	**17,660**	19,631
Asia-Pacific and Japan	**62,401**	56,742
Consolidated total	**103,039**	106,329

In presenting the geographical information, revenue is based on the locations of the customers.

(c) Revenue from major customers:

An analysis of revenue from major customers which account for over 10 percent or more of the Group's revenue is as follows:

	2010	2009
	HK$'000	*HK$'000*
EMS segment		
Customer a	**149,625**	158,526
Customer b	**353,913**	235,882
Own Brand Business segment		
Customer c	**156,522**	N/A

4. REVENUE

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**1,167,610**	839,798
Others	**159**	183
	1,167,769	839,981
Net sales return arising from product warranty	**(22,227)**	(18,083)
	1,145,542	821,898

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**39**	64
Discount on acquisitions	**–**	9,010
Income from cancellation of customers' orders	**7,323**	–
Gain on derivative instruments	**2,453**	–
Sales of scrap materials	**61**	1,184
Others	**3,367**	2,113
	13,243	12,371

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Wholly repayable within five years:		
Bank overdraft interest	**2**	5
Bank loans interest	**1,314**	556
Finance lease interest	**–**	11
Interest on import/export loans	**323**	355
Interest on factoring loans	**2,786**	20
	4,425	947

7. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**9,491**	10,918
Over-provision in prior years	**(533)**	(20)
	8,958	10,898
Current tax – Overseas		
Provision for the year	**3,797**	2,257
Under-provision in prior years	**16**	–
	3,813	2,257
Deferred tax	**(17)**	(424)
	12,754	12,731

Hong Kong Profits Tax has been provided at a rate of 16.5% (2009: 16.5%) based on the estimated assessable profit for the year.

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

8. DIVIDENDS

	Note	**2010**	2009
		HK$'000	*HK$'000*
Proposed final	*(a)*	**7,411**	–
Interim	*(b)*	**33,800**	33,500
		41,211	33,500

(a) A final dividend of HK$0.018 per ordinary share of the Company was proposed for the year ended 31 December 2010.

(b) The interim dividend for 2010 of HK$82.44 per ordinary share of Telefield Holdings Limited, totaling HK$33,800,000 was declared and distributed to its then shareholder in 2010.

The first interim dividend for 2009 of HK$36.59 per ordinary share of Telefield Holdings Limited, totaling HK$15,000,000 was declared and distributed to its then shareholder in 2009. The second interim dividend for 2009 of HK$45.12 per ordinary share of Telefield Holdings Limited, totaling HK$18,500,000 was declared in 2009 and subsequently paid in 2010.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the profit for the year attributable to the owners of the Company of approximately HK$69,921,000 (2009: HK$76,216,000), and on the assumption that 300,000,000 shares have been in issue throughout both years, comprising 10,000 shares issued due to the Group Reorganisation during the year ended 31 December 2010 and 299,990,000 shares to be issued pursuant to the Capitalisation Issue.

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

For the purpose of these financial statements, the balance of the issued capital shown in the consolidated statement of financial position as at 31 December 2010 and 2009 represents the share capital of the Company immediately before the issue of 100,000,000 New Issue Shares in relation to the initial public offering of the Company on the Stock Exchange and before the issue of 299,990,000 shares pursuant to the Capitalisation Issue.

10. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. During the year, the credit terms generally range from 30 to 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The Group's aging analysis of trade receivables, based on invoice date, and net of allowance, is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**148,023**	157,438
91 to 180 days	**4,057**	1,202
181 to 365 days	**2,198**	–
Over 365 days	**60**	–
	154,338	158,640

10. TRADE RECEIVABLES (CONT'D)

Reconciliation of allowance for trade receivables during the year is set out below:

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**2,892**	2,653
Allowance for the year	**3,174**	462
Reversal	**(204)**	(223)
At 31 December	**5,862**	2,892

As at 31 December 2010, trade receivables of approximately HK$44,400,000 (2009: HK$23,894,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An aging analysis of these trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Up to 3 months	**40,884**	22,750
Over 3 months	**3,516**	1,144
	44,400	23,894

11. TRADE PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**111,062**	103,744
91 to 180 days	**1,915**	2,577
181 to 365 days	**771**	–
Over 365 days	**1,565**	795
	115,313	107,116

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Overview

For the financial year ended 31 December 2010, the Group was presented with both challenges and opportunities. As the global economy continued to recover from the downturn brought on by the financial crisis of late 2008, the consumer electronics market of major developed countries began to revive. Underpinned by well established relationships with suppliers and customers, and also the high level of efficiency achieved through automated manufacturing processes, the Group was able to overcome rising production and operating costs, as well as the shortage of in electronic components.

During the review year, the Group reported an increase in turnover from HK$821.9 million to HK$1,145.5 million, representing a year-on-year growth of 39.4%. Profit attributable to owners of the Company recorded HK$69.9 million (2009: HK$76.2 million). The decrease was mainly due to non-recurring one-off items in relation to expenses relating to the Group's IPO in Hong Kong. Excluding the aforesaid IPO expenses, the Group was able to deliver a surge in profit attributable to owners of the Company.

EMS Business

The Group is an established EMS provider headquartered in Hong Kong, offering one-stop solutions to a number of international brand owners of consumer electronic products. The Group has a diverse customer base covering Japan, the Asia-Pacific region, the Americas and Europe. Revenue generated from the Group's EMS business accounted for approximately 66.7% of the Group's total revenue for the year ended 31 December 2010 (2009 : 82.9%).

The EMS unit continued to be one of the major revenue and profit contributors to the Group during the reporting year. The EMS business covers two main categories of products, namely, telecommunication products and non-telecommunication products. Revenue generated from the telecommunication products segment remained fairly stable, whereas a year-on-year increase of 18.9% to HK$607.1 million (2009: HK$510.7 million) was mainly the result of increase demand for appliances and appliance control products, which falls under the non-telecommunication products category.

Branded Businesses

The Group's branded businesses include distribution of SMB phone systems under the "RCA" brand in North America (licensed brand) and assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand in Europe (own brand). Revenue generated from the Group's branded businesses accounted for approximately 33.3% of the Group's total revenue for the year ended 31 December 2010 (2009: 17.1%).

Revenue from the Group's operations in both North America and Germany increased satisfactorily. Specifically, revenue derived from the distribution business of SMB phone systems under the "RCA" brand accounted for approximately 13.8% of the Group's total revenue (2009: 14.3%). The Group and RCA Management have reached an agreement in writing to extend the terms of the RCA License Agreement for an additional period of five years up to and including 31 December 2018. The Group will also be allowed to use an additional trademark on similar terms and conditions. The successful extension of the RCA licensing agreement not only highlights the significant level of trust that the RCA Management has for the Group, but also the importance of an established distribution network and efficient product management for which the Group possesses.

The Group has assembled and/or distributed portable storage devices and/or multimedia products under the "TrekStor" brand, which are marketed and distributed to electronics superstores and other retailers, mainly in Germany and various other European countries. The Group's own brand business, under the "TrekStor" brand, recorded a net loss after tax of approximately HK$27.9 million for the year ended 31 December 2010. The loss was mainly due to (i) sales picking up slowly when the Group was re-establishing relations with the customers of TrekStor GmbH & Co. KG (in liquidation) while the Group was obliged to continue to pay for overhead costs such as staff costs and rent; and (ii) the Group was taking steps to resume product development to introduce new products on the market. As at the last quarter of 2010, the TrekStor brand business was recovering in a healthy manner.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

Pursuant to the reorganisation that took place on 31 December 2010, the Company became the holding company of the companies now comprising the Group. Since the Company and the companies now comprising the Group are under common control both before and after the completion of the reorganisation, the financial statements has been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of the Group for the year ended 31 December 2009 and 2010 include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the years 2009 and 2010 or since their respective dates of acquisition, incorporation or establishment, as the case may be. The consolidated statements of financial position of the Group as at 31 December 2009 and 2010 have been prepared to present the state of affairs of the Group as if the current structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as at the respective dates.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2010, the Group recorded total revenue of HK$1,145.5 million, an increase of 39.4% as compared to last year. The Group managed to have a strong growth in revenue as a result of the increase in its EMS business and the full year operation of its branded businesses.

The Group's reporting segments are strategic business units that offer different products and services. The management team of the Group considers there are three broad groups of business units for segment accounting purpose, EMS (electronic manufacturing services), licensed brand business and own brand business.

For the year ended 31 December 2010, the revenue from EMS increased by 12.0% to HK$764.0 million (2009: HK$681.9 million), whereas the revenue from licensed brand and own brand business increased by 34.9% to HK$158.4 million (2009: HK$117.4 million) and by 882.8% to HK$223.1 million (2009: HK$22.7 million) respectively.

The increase in revenue is mainly attributable to the growth in the sale of non-telecommunication products in both EMS and own brand business by 55.7% to HK$830.3 million (2009: HK$533.4 million), which in turn contributes 72.5% (2009: 64.9%) of the overall revenue. It is the ongoing policy of the Group to shift its business emphasis from relatively low margin telecommunication products to products with higher profit margin level.

Non-telecommunications products of the Group's EMS segment mainly include appliances and appliances control products and multimedia products; while non-telecommunications products of the Group's own brand business segment mainly include portable storage devices and multimedia products.

The growth in the revenue generated from non-telecommunications products was mainly attributable to the following factors:

(i) the initiation of revenue generation from the own brand business segment under the "TrekStor" brand upon the acquisition of the Group's own brand business in Germany in November 2009. Revenue generated from this segment accounted for approximately 2.8% and 19.5% of the Group's total revenue for the year ended 31 December 2009 and 2010, respectively; and

(ii) an increase in the sale of the Group's EMS appliances and appliances control products, revenue generated from which increased from approximately HK$374.9 million for the year ended 31 December 2009 to approximately HK$489.3 million for the year ended 31 December 2010, representing an increase of 30.5%.

Cost of Sales

Cost of sales increased by 40.8% from HK$634.2 million in 2009 to HK$892.9 million in 2010. The increase was mainly due to an increase in the volume of raw materials and components purchased by 41.8% to HK$754.4 million (2009: HK$532.2 million), primarily attributable to an increase in the sale of branded businesses, and EMS non-telecommunications products.

Gross Profit

Gross profit increased by 34.6% from HK$187.7 million for the year ended 31 December 2009 to HK$252.6 million for the year ended 31 December 2010, while the gross profit margin remained fairly stable at 22.1% (2009: 22.8%). The gross profit was contributed by the EMS segment of 67.4% (2009: 79.0%), licensed brand business of 21.2% (2009: 18.8%) and own brand business of 11.4% (2009: 2.2%). The increase was primarily attributable to the following reasons.

The momentum of the Group's strategic vertical expansion into the branded business in 2009 gives continuing support of the increasing level of gross profit for the year 2010. An increasing portion of the gross profit is now derived from branded businesses as a result of the growth in revenue by 172.5% to HK$381.5 million (2009: HK$140.0 million) earned from the branded business during the year.

The Group kept secured orders of mass production volume which gave rise to economies of scale in the form of increased production efficiency through continual mass production of similar products and enhanced the bargaining power over suppliers of raw materials and components as a result of frequent bulk purchases.

Other income

Other income increased by 6.5% from HK$12.4 million in 2009 to HK$13.2 million in 2010. One of the major items in the current year is the sum of HK$7.3 million derived from the cancellation of customers' orders.

Selling and distribution expenses

Selling and distribution expenses accounted for approximately 4.8% in 2009 and 6.4% in 2010 of the Group's revenue respectively. The increase in selling and distribution expenses as a percentage of the Group's revenue in 2010 was mainly attributable to the increase in promotion and after-sales services expenses, commission and staff costs, primarily as a result of the Group's full year operation of all its branded businesses during the year.

Administration expenses

Administration expenses accounted for approximately 6.4% in 2009 and 6.9% in 2010 of the Group's revenue respectively. The increase in administration expenses as a percentage of the Group's revenue in 2010 was mainly attributable to the increase in staff costs, exchange differences, office expenses and rental, travelling and entertainment expenses in relation to the Group's full year operation of all its branded businesses during the year.

Other operating expenses

Other operating expenses increased by 81.3% from HK$22.5 million in 2009 to HK$40.8 million in 2010. The increase was mainly attributable to the listing expenses of HK$12.1 million charged during the year 2010.

Finance costs

The Group's finance costs mainly comprise interest payments for the Group's bank loans, import/export loans and factoring charges. The Group's finance costs were approximately HK$0.9 million in 2009 and HK$4.4 million in 2010, represented approximately 0.1% and 0.4% of its revenue, respectively.

Income tax expenses

The Group's income tax expense represents amounts of income tax paid by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong, the People's republic of China (the "PRC"), the United States (the "US") and Germany. The Group had no tax payable in other jurisdictions during the years ended 31 December 2009 and 2010.

The Group's effective income tax rates for the years ended 31 December 2009 and 2010 were approximately 14.9% and 18.6%, respectively. The increase in the Group's effective tax rates during the year 2010 was primarily attributable to the higher statutory tax rates imposed in foreign jurisdictions on the Group's overseas subsidiaries, which commenced operations in 2009.

Hong Kong profits tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement. The applicable Hong Kong profits tax rates for the Group's subsidiaries incorporated in Hong Kong was 16.5% for the two years ended 31 December 2009 and 2010, respectively.

PRC Enterprise Income tax

For the two years ended 31 December 2009 and 2010, the Group's subsidiaries incorporated in the PRC were subject to the PRC Enterprise Income Tax Law. The applicable PRC statutory enterprise income tax rate for wholly foreign-owned enterprises was charged at a unified tax rate of 25% for all types of enterprises.

Aiko Beauty (Shenzhen) Limited was subject to an enterprise income tax rate of 20% and 22% for the two years ended 31 December 2009 and 31 December 2010, respectively, pursuant to 《國務院關於實施企業所得稅過渡優惠政策的通知》(the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax).

Save as disclosed above, other companies located in the PRC have not been granted any preferential tax treatment and were subject to tax at their statutory tax rates of 25% for the two years ended 31 December 2009 and 2010, respectively.

Overseas income tax

The Company's indirect wholly-owned subsidiary, Telefield NA, Inc. ("TFNA (US)"), is incorporated in the US and is subject to federal and state income taxes on its worldwide income. The US has graduated federal corporate tax rates between 15% and 35%. State tax rates vary based on the location of the corporation's activities. TFNA (US)'s net state tax rate is approximately 5%. There is no tax treaty between the US and Hong Kong. Dividends paid by the TFNA (US) will be subject to a withholding rate of 30%.

TrekStor GmbH ("TrekStor (Germany)") is subject to German Corporate Income Tax ("GCIT"), levied at a rate of 15%, as well as a Solidarity Surcharge levied at a rate of 5.5% of the GCIT. The combined tax rate of GCIT and Solidarity Surcharge is 15.825%. In addition, TrekStor (Germany) is also subject to a municipal trade tax ("MTT") imposed by the Lorsch municipality, and the applicable MTT rate is 11.55%. Dividends payments are subject to withholding tax at a rate of 25% plus Solidarity Surcharge, resulting in an effective rate of 26.375%. In case the withholding tax according to a double tax treaty is lower, the German withholding tax can be determined according to the reduced rate if a respective certificate of the Federal Tax Office is granted in advance. Licence fee payments are subject to similar withholding tax requirement and the applicable tax rate is 15.825% unless a certificate of exemption is obtained.

The Group had not been subjected to any corporate income tax in the Cayman Islands, the British Virgin Islands and Luxembourg for the years ended 31 December 2009 and 2010.

Profit attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately 8.3% from approximately HK$76.2 million for the year ended 31 December 2009 to approximately HK$69.9 million for the year ended 31 December 2010. The Group's net profit margin attributable to owners of the Company decreased from approximately 9.3% for the year ended 31 December 2009 to approximately 6.1% for the year ended 31 December 2010.

The decrease was mainly attributable to (i) the significant increases in selling and distribution expenses and administrative expenses, mainly attributable to the recently established branded businesses; (ii) the increase in other operating expenses mainly attributable to the listing expenses of HK$12.1 million charged during the year; and (iii) while TrekStor (Germany) had embarked on the ongoing process of re-establishing business relationship with its old customers and resumed new product development since its establishment in November 2009, it had continued to incur overhead costs such as staff costs and rent. Despite the gradual growth in revenue, its income fell short of its operating expenditure as it took time to resume new product development to introduce new products to the market. As a result, the segment recorded a net loss after tax of approximately HK$27.9 million.

The profit attributable to owners of the Company for the year ended 31 December 2010 was higher than the profit estimate set out in the prospectus of the Company dated 14 January 2011 by 3.4%.

Loss for the year attributable to non-controlling interests

Loss for the year attributable to non-controlling interests, increased from HK$3.5 million for the year ended 31 December 2009 to approximately HK$14.2 million for the year ended 31 December 2010. The increase was primarily attributable to TrekStor (Germany), an indirectly owned subsidiary of the Company in Germany established in November 2009.

LIQUIDITY AND CAPITAL RESOURCES

The Group generally finances its operations and capital expenditure by internally generated cash flows as well as bank borrowings.

As at 31 December 2010, the cash and cash equivalents amounted to HK$58.9 million, representing a decrease of HK$9.7 million from 2009. Respective sum of 47.2% and 31.8% of the cash and cash equivalents was denominated in US dollars and HK dollars and other 21.0% was denominated in various currencies.

As at 31 December 2010, the total liabilities of HK$347.9 million (2009: HK$325.8 million), of which HK$62.6 million was short-term borrowings to be due within one year. All the Group's bank borrowings were subject to floating interest rates currently ranging from 2.2% to 6.5% per annum and were mainly denominated in Hong Kong dollars.

The Group was in a net cash deficiency position (cash and cash equivalents less total bank borrowings) of HK$3.7 million and the debt to equity ratio was 36.3% (2009: 19.6%) as at 31 December 2010. This is mainly caused by the increase in bank loans obtained in financing the local operation in Germany.

Cash flow

In 2010, HK$30.0 million was generated from the operating activities, while HK$18.2 million and HK$24.8 million were spent on financing activities and investing activities respectively. Net cash outflow from financing activities was mainly related to the dividend paid of HK$52.3 million offset by the net additions in bank loans of HK$22.1 million for the finance of the operation of the German subsidiary.

Exchange risk exposure

The Group hedges its foreign exchange rate risk through the use of derivative financial instruments. The Group primarily enters into foreign currency forward contracts and put option (the put option enables the Group to sell Euro at a designated strike price) to reduce the effects of fluctuating foreign currency exchange rates, in particular, the exchange rate between Euro and HK dollars. The Group categorises these instruments as being entered into for purposes other than trading.

As at 31 December 2010, the Group had currency option and forwards contacts with fair value of approximately HK$2.4 million and negative of HK$0.2 million. The notional principal amounts of outstanding foreign currency option derivatives as at 31 December 2010 was Euro 3.0 million.

Capital expenditure

Capital expenditure for 2010 amounted to HK$16.2 million and capital commitments as at 31 December 2010 amounted to HK$17.4 million. Both the capital expenditure and capital commitments were mainly related to the acquisition of plant and machinery to cope with the increase in business volume.

For the year 2010, the Company has budgeted to incur HK$15.8 million for capital expenditure.

Pledge of assets

As at 31 December 2009 and 2010, none of the Group's assets was pledged.

Contingent liabilities

As at 31 December 2010 and upto the date of this report, the Group was not aware of any material contingent liabilities.

Acquisitions, disposals and significant investment

During the year ended 31 December 2010, apart from the reorganisation in relation to the listing of the shares of the Company, there was no material acquisition, disposal or investment by the Group.

Human resources

As at 31 December 2010, the Group had approximately 2,400 employees in various operating units located Hong Kong, USA, Germany and PRC. In order to attract and retain high quality talents to ensure smooth operation and cater for the Group's constant expansion, it offers competitive remuneration packages, with reference to market conditions and individual qualifications and experience.

Nevertheless, there is no share option scheme put in place as at 31 December 2010.

Prospects

Looking forward, the robust global demand for high-quality telecommunications and electronic products is set to bring excellent growth opportunities to the Group. The management believes that the EMS business will continue to be a major source of revenue. The Group will continue to leverage its strength in research and development to tap the niche market where higher margin contributions can be realised.

Already, in the first quarter of 2011, the Group entered into various research projects with various research institutions in Hong Kong, including the exploration of "Ultrasound imaging equipment" for medical use, as well as development of other health care electronic products including electronic teeth whitener, by end of 2010. In order to enhance marketing and sales competencies and extend its market presence in the Asia-Pacific region, including Japan, the Group began setting up a new operation in Japan in February 2011.

With regard to the branded businesses, the Group started to examine opportunities to distribute its SMB phone systems in Central and South America. The Group anticipates that with the launch of 8 lined VoIP SMB phone systems in the last quarter of 2010, contributions from the licensed brand will be further enhanced in 2011. Furthermore, the Group managed to conclude an extension on the terms of its licensing agreement to distribute RCA SMB phone systems. While enjoying similar terms as the existing agreement, the Group will now be able to distribute the aforesaid systems for another five years – ending in 2018.

Concerning the Group's own brand business, the operation is expected to generate greater contributions following the introduction of new products, as well as the reengineering of its existing operational structure.

To address ever-changing end-user demand for quality electronic products and facilitate development of trend-setting products, the Group will further bolster its R&D capabilities and will recruit more experts with strong product development and design expertise, helping to hasten product development processes. Such efforts will aid, for example, the Group's plans to develop medical electronic equipment and products targeting the ultrasonic imaging and respiratory monitoring segment.

Not neglecting the production front, the Group will expand its production capabilities by adding new machines and production lines in both its Guangzhou and Huizhou production facilities, including three sets of SMT machines, twelve sets of plastic injection machines and four assembly lines.

In order to maintain and attract new international brand owners as its EMS customers and deepen penetration into international markets, the Group will establish marketing offices overseas and in the PRC, including Shanghai and Chengdu. Anticipating rapid increase in consumer demand, the Group believes that organic growth in business growth with existing customers will carry significant weight for its future development. The Group will also endeavor to enlarge its customer base.

Aiming to enhance returns to shareholders, the Group will continue to look for appropriate opportunities that allow it to acquire or license additional brands. This will enable the Group to expand its portfolio of brands and products for its branded businesses, creating greater value and generating synergies for to the Group.

With all of the aforementioned strategies in place, the Group will continue to enhance its prominence in the industry and develop high-quality products that meet customers' needs, thereby generating greater returns for its shareholders.

OTHER INFORMATION

Dividends

The Board recommended the payment of a final dividend of HK cents 1.8 per ordinary share in respect of the year to shareholders on the register of members of the Company on 27 May 2011. Subject to the approval of the shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on or around 10 June 2011. The recommendation of the final dividend has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 25 May 2011 to Friday, 27 May 2011 (both days inclusive), during such period no transfer of shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted at the forthcoming annual general meeting of the Company, and eligible for attending and voting at the forthcoming annual general meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Tuesday, 24 May 2011.

Purchase, Sale or Redemption of Listed Securities of the Company

The shares of the Company were first listed on the main board of the Stock Exchange on 27 January 2011. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the directors. All directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

Code on Corporate Governance Practices

As the Company was listed on 27 January 2011 (the "Listing Date"), the Company was not required to comply with the requirements under the code provisions set out in Appendix 14 – Code on Corporate Governance Practices (the "Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the Year. Nevertheless the Directors consider that since the Listing Date, the Company has applied the principles and complied with all the applicable code provisions set out in the Code, except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer" and this is deviated from the code provision A.2.1 of the Code.

Mr. Cheng Han Ngok Steve, who acts as the chairman and the executive director of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

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

Audit Committee

The Company established the Audit Committee on 31 December 2010 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are mainly to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently has three members comprising Dr. Kwan Pun Fong Vincent (Chairman), Mr. Au-Yang Cheong Yan Peter and Dr. Xue Quan, all being independent non-executive directors. The Audit Committee did not hold any meeting during the Year as the Company was listed on the Stock Exchange on the Listing Date.

One meeting of the Audit Committee was held after the Listing Date to review the final results and statements of the Group for the Year, and the 2010 Annual Report of the Company (the "Annual Report"). All members of the Audit Committee attended the meeting and each of them confirmed that the final results and statements of the Group for the Year, and the Annual Report have complied with all relevant laws and regulations, including but not limited to the Listing Rules.

Publication of Results Announcement

This annual results announcement is available for viewing on the websites of the Stock Exchange at http://www.hkexnews.hk and the Company at www.telefieldgroup.com.hk.

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

Hong Kong, 25 March 2011

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