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 2011

- Achieved turnover of HKD1,309.4 million for the year ended 31 December 2011, increased by 14.3% year over year
- As a result of significant contributions from "Trekstor", sales of multimedia products and computer accessories recorded a surge of 50.2% to HK$335.1 million and achieving a successful turnaround of the business segment
- Recommended final dividend of HK cents 3.0 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 2011 (the "Year" or the "Period"), together with the comparative figures of 2010, which had been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The 2011 audited consolidated annual results of the Group had been reviewed by the audit committee of the Company and approved by the Board on 30 March 2012.

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	4	**1,309,390**	1,145,542
Cost of goods sold		**(1,040,059)**	(892,929)
Gross profit		**269,331**	252,613
Other income	5	**7,501**	13,243
Selling and distribution expenses		**(79,524)**	(73,022)
Administrative expenses		**(91,562)**	(79,086)
Other operating expenses		**(28,728)**	(40,858)
Profit from operations		**77,018**	72,890
Finance costs	6	**(8,391)**	(4,425)
Profit before tax		**68,627**	68,465
Income tax expense	7	**(8,116)**	(12,754)
Profit for the year		**60,511**	55,711
Attributable to:			
Owners of the Company		**57,051**	69,921
Non-controlling interests		**3,460**	(14,210)
		60,511	55,711
Earnings per share	9		
Basic (HK cents)		**14.15**	23.31
Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**60,511**	55,711
Other comprehensive income:		
Exchange differences on translating foreign operations	**2,827**	2,735
Gains on property revaluation	**5,980**	2,496
Deferred tax arising from gains on property revaluation	**(987)**	(868)
Other comprehensive income for the year, net of tax	**7,820**	4,363
Total comprehensive income for the year	**68,331**	60,074
Attributable to:		
Owners of the Company	**64,778**	74,284
Non-controlling interests	**3,553**	(14,210)
	68,331	60,074

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Fixed assets		**75,803**	63,324
Goodwill		**12,157**	–
Intangible assets		**72,662**	39,715
Available-for-sale financial assets		**–**	–
Deferred tax assets		**5,841**	7,690
		166,463	110,729
Current assets			
Inventories		**209,565**	151,862
Trade and bill receivables	*10*	**182,220**	154,338
Prepayments, deposits and other receivables		**61,647**	40,330
Derivative instruments		**1,532**	2,361
Amount due from a shareholder		**200**	–
Current tax assets		**2,147**	1,601
Bank and cash balances		**147,756**	58,913
		605,067	409,405
Current liabilities			
Trade payables	*11*	**144,477**	115,313
Accruals and other payables		**148,205**	107,677
Financial liabilities at fair value through profit or loss		**9,023**	8,321
Derivative instruments		**–**	154
Bank borrowings		**51,880**	62,613
Product warranty provision		**15,906**	13,355
Current tax liabilities		**3,834**	7,780
		373,325	315,213
Net current assets		**231,742**	94,192
Total assets less current liabilities		**398,205**	204,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2011 (Cont'd)

	2011	2010
	HK$'000	*HK$'000*
Non-current liabilities		
Financial liabilities at fair value through profit or loss	**10,063**	17,770
License fee payable	**18,721**	–
Deferred tax liabilities	**21,446**	14,880
	50,230	32,650
NET ASSETS	**347,975**	172,271
Capital and reserves		
Share capital	**4,117**	–
Reserves	**351,806**	187,165
Equity attributable to owners of the Company	**355,923**	187,165
Non-controlling interests	**(7,948)**	(14,894)
TOTAL EQUITY	**347,975**	172,271

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 HKICPA, as if the Group Reorganisation 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 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 2011. 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
Distribution Businesses:	
Telecommunications products (“TCP”)	– Marketing and distribution of branded small and medium business phone systems (“SMB phone systems”)
Multimedia products and computer accessories (“MPCA”)	– Assembling and/or marketing and distribution of branded multimedia products and computer accessories

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’s other operating segments include the marketing and distribution of branded mobile electronic gaming and entertainment systems and others. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the ‘Others’ column under Distribution Businesses.

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:

		Distribution Businesses			
	EMS	**TCP**	**MPCA**	**Others**	**Total**
	HK$’000	*HK$’000*	*HK$’000*	*HK$’000*	*HK$’000*
Year ended 31 December 2011					
Revenue from external customers	**802,730**	**153,766**	**335,088**	**17,806**	**1,309,390**
Intersegment revenue	**119,484**	**–**	**–**	**5,877**	**125,361**
Segment profit	**65,886**	**2,741**	**7,599**	**1,331**	**77,557**
Interest revenue	**232**	**1**	**2**	**–**	**235**
Interest expense	**886**	**2,700**	**4,805**	**–**	**8,391**
Depreciation and amortisation	**14,335**	**6,877**	**815**	**1,186**	**23,213**
Staff costs	**161,602**	**6,642**	**35,384**	**2,344**	**205,972**
Income tax expense/ (credit)	**7,009**	**329**	**(165)**	**943**	**8,116**
Additions to segment non-current assets	**18,891**	**16,206**	**308**	**236**	**35,641**
As at 31 December 2011					
Segment assets	**620,263**	**111,947**	**131,904**	**93,243**	**957,357**
Segment liabilities	**232,434**	**90,807**	**132,373**	**80,299**	**535,913**

3. SEGMENT INFORMATION (CONT'D)

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

		Distribution Businesses			
	EMS	TCP	MPCA	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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)

(b) Geographical information:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Germany	**249,733**	159,621
People's Republic of China ("PRC") (including Hong Kong)	**242,103**	242,007
The United States of America	**227,939**	179,329
Switzerland	**190,135**	90,108
United Kingdom	**100,269**	199,432
Italy	**69,084**	49,104
Mexico	**55,038**	104,829
Others	**175,089**	121,112
Consolidated total	**1,309,390**	1,145,542

	2011	2010
	HK$'000	*HK$'000*
Non-current assets		
Germany	**16,628**	17,660
PRC (including Hong Kong)	**73,982**	62,401
The United State of America	**69,841**	22,978
Others	**171**	–
Consolidated total	**160,622**	103,039

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:

	2011	2010
	HK$'000	*HK$'000*
EMS segment		
Customer a	**174,960**	149,625
Customer b	**207,490**	353,913
Customer c	**188,382**	N/A
Distribution Businesses – MPCA segment		
Customer d	**132,816**	156,522

4. REVENUE

	2011 *HK$'000*	2010 *HK$'000*
Sales of goods	**1,332,548**	1,167,610
Others	**1,757**	159
	1,334,305	1,167,769
Net sales return arising from product warranty	**(24,915)**	(22,227)
	1,309,390	1,145,542

5. OTHER INCOME

	2011 *HK$'000*	2010 *HK$'000*
Bank interest income	**235**	39
Income from cancellation of customers' orders	**–**	7,323
Unrealised fair value gain on derivative instruments	**1,199**	–
Realised gain on derivative instruments	**1,132**	2,453
Fair value gain on financial liabilities at fair value through profit or loss	**1,109**	–
Sales of scrap materials	**777**	61
Others	**3,049**	3,367
	7,501	13,243

6. FINANCE COSTS

	2011 *HK$'000*	2010 *HK$'000*
Wholly repayable within five years:		
Bank overdraft interest	**1**	2
Bank loans interest	**986**	1,314
Interest on import/export loans	**394**	323
Interest on factoring loans	**4,310**	2,786
Not wholly repayable within five years:		
Other interest expenses	**2,700**	–
	8,391	4,425

7. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**6,935**	9,491
Over-provision in prior years	**(512)**	(533)
	6,423	8,958
Current tax – Overseas		
Provision for the year	**3,876**	3,797
Under-provision in prior years	**–**	16
	3,876	3,813
Deferred tax	**(2,183)**	(17)
	8,116	12,754

Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 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

		2011	2010
	Note	***HK$'000***	*HK$'000*
Proposed final	*(a)*	**12,352**	7,411
Interim	*(b)*	**8,234**	33,800
		20,586	41,211

Notes:

(a) A final dividend of HK$0.03 (2010: HK$0.018) per ordinary share of the Company was proposed for the year ended 31 December 2011.

(b) The interim dividend for 2011 of HK$0.02 per ordinary share of the Company (2010: HK$82.44 per ordinary share of Telefield Holdings Limited), totaling HK$8,234,000 (2010: HK$33,800,000) was declared and paid in 2011.

9. EARNINGS PER SHARE

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**57,051**	69,921
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**403,050,241**	300,000,000

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

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

10. TRADE AND BILL RECEIVABLES

		2011	2010
	Note	***HK$'000***	*HK$'000*
Trade receivables	*(a)*	**172,934**	154,338
Bill receivables	*(b)*	**9,286**	–
		182,220	154,338

Notes:

(a) The Group's trading terms with customers are mainly on credit. During the year, the credit terms generally range from 30 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

10. TRADE AND BILL RECEIVABLES (CONT'D)

(a) (cont'd)

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

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**166,392**	148,023
91 to 180 days	**3,960**	4,057
181 to 365 days	**1,702**	2,198
Over 365 days	**880**	60
	172,934	154,338

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

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**5,862**	2,892
Allowance for the year	**2,164**	3,174
Reversal for the year	**(748)**	(204)
Bad debt written off	**(3,679)**	–
Exchange difference	**36**	–
At 31 December	**3,635**	5,862

As at 31 December 2011, trade receivables of approximately HK$33,398,000 (2010: HK$44,400,000) 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:

	2011	2010
	HK$'000	*HK$'000*
Up to 3 months	**28,217**	40,884
Over 3 months	**5,181**	3,516
	33,398	44,400

(b) The bill receivables is repaid within 3 months after the end of reporting period.

11. TRADE PAYABLES

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

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**140,714**	111,062
91 to 180 days	**2,182**	1,915
181 to 365 days	**402**	771
Over 365 days	**1,179**	1,565
	144,477	115,313

SCOPE OF WORK OF RSM NELSON WHEELER

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2011. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Overview

While the global economy remained unstable in 2011, the greatest challenges that confronted manufactures operating in the PRC was the ongoing increase in labour cost resulting from minimum wage legislation imposed by the local government, and further appreciation of the Renminbi which directly affected the cost of production.

In spite of the various obstacles, the management's strategic focus on niche markets as highlighted by significant sales growth from the Distribution Businesses, proved key in enabling the Group to generate greater turnover, reaching HK$1,309.4 million in 2011, a year-on-year increase of 14.3% (2010: HK$1,145.5 million). Gross profit increased by 6.6% to HK$269.3 million (2010: HK$252.6 million), which translated into a gross profit margin of 20.6% (2010: 22.1%). Profit attributable to owners of the Company amounted to HK$57.1 million (2010: HK$69.9 million).

EMS Business

Despite the challenging market environment, the EMS business recorded a 5.1% increase in turnover to HK$802.7 million (2010: HK$764.0 million), thus accounting for 61.3% of the Group's total turnover (2010: 66.7%).

During the year under review, the Group remained keen on identifying and developing products for potential niche markets, which proved successful in generating new income streams. This included the further development of healthcare electronics which is expected to contribute more to the Group's turnover in the near term.

Under severe cost pressure throughout the year, the Group implemented greater cost controls, including increased automation of production lines and bulk purchase of materials from suppliers. These ongoing measures were crucial to moderating the impact of the cost rises on the Group's profitability.

Distribution Businesses

As a result of significant contributions from the Distribution Business in multimedia products and computer accessories, the business segment achieved a surge in turnover, rising by 32.8% to HK$506.7 million (2010: HK$381.5 million), and accounting for 38.7% of the Group's total turnover (2010: 33.3%).

(i) Telecommunications Products

The business involves the marketing and distribution of branded SMB phone systems. The segment turnover maintained at HK$153.8 million during the year under review (2010: HK$158.4 million).

(ii) Multimedia Products & Computer Accessories

This business segment refers to the assembling and/or marketing and distribution of multimedia products and computer accessories. During the year, the solid performance achieved by the Group's subsidiary in Germany Trekstor GmbH ("TrekStor") highlighted management's prudence in tapping this particular niche market. Sales growth was particularly evident in the second half year, leading to segment turnover of HK$335.1 million (2010: HK$223.1 million) or a year-on-year rise of 50.2%. Considering the promising eBook reader market in Germany, the Group launched and distributed its first eBook reader in October 2010. Significant sales of the product were recorded since launch, which became a key contributor to the rise in segment turnover during the review year.

(iii) Others

The business refers to the marketing and distribution of branded mobile electronic gaming and entertainment systems and other products. In view of the high potential of the gaming accessories market, the Group acquired 51% equity interest in G.A.E.M.S., Inc ("GAEMS"), an electronic gaming accessories company in the US, in November 2011. In doing so, the Group expanded both its brand and product portfolio. Following the acquisition, the Group stepped up its marketing and distribution efforts to promote the first registered proprietary product under the "GAEMS" brand name, specifically, the G155, a portable multi-platform console gaming product. Market response was highly positive, allowing this newly acquired business to contribute income to the Group by the end of the financial year.

Geographical Analysis

With significant growth achieved by TrekStor, turnover from major European countries (Germany, United Kingdom, Switzerland and Italy) rose by 22.3% to HK$609.2 million (2010: HK$498.3 million), accounting for 46.5% of the Group's total turnover. Revenue from the US increased by 27.1% to HK$227.9 million (2010: HK$179.3 million), representing 17.4% of total turnover. Revenue from the PRC (mainly Hong Kong) amounted to HK$242.1 million (2010: HK$242.0 million). As for other countries, turnover rose by 1.9% to HK$230.2 million (2010: HK$225.9 million).

FINANCIAL INFORMATION

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2011, the Group recorded total revenue of HK$1,309.4 million, an increase of 14.3% as compared to last year. The Group managed to have a strong growth in revenue as a result of the increase in EMS business and Distribution Businesses – multimedia products and computer accessories segment.

The Group's reporting segments are strategic business units that offer different products and services. Prior to the Year, the business of the Group were segmented into two main groups, namely EMS and Branded Business. With the growth in business scope, the management team redefined segments to give a more appropriate picture of the business of the Group. It is now considered there are two broad groups of business units for segment accounting purpose, EMS and Distribution Businesses whereas the latter can be subdivided into telecommunications products, multimedia products and computer accessories and others.

The Group's other operating segments include the marketing and distribution of branded mobile electronic gaming and entertainment systems and others.

For the year ended 31 December 2011, the revenue from EMS increased by 5.1% to HK$802.7 million (2010: HK$764.0 million), whereas the revenue from Distribution Businesses segment increased by 32.8% to HK$506.7 million (2010: HK$381.5 million).

The increase in revenue was mainly attributable to the growth in the sale of non-telecommunications products in both EMS and distribution businesses by 18.7% to HK$985.6 million (2010: HK$830.3 million), which in turn contributes 75.3% (2010: 72.5%) of the overall revenue. It is the ongoing policy of the Group to increase its emphasis to products with higher profit margin.

Non-telecommunications products of the Group's EMS segment mainly include appliances and appliances control products; whilst non-telecommunications products of the Group's distribution businesses segment mainly include multimedia products and computer accessories under the brand "TrekStor" and the mobile electronic gaming and entertainment systems under the brand "GAEMS".

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

(i) The "TrekStor" brand launched its first eBook reader in Germany since October 2010 and has significant sales in 2011. The revenue generated from this segment of HK$335.1 million (2010: HK$223.1 million) representing an increase of 50.2% and the revenue also accounted for approximately 25.6% (2010: 19.5%) of the Group's total revenue for the year ended 31 December 2011; and

(ii) the revenue of HK$17.8 million recorded in the sale of the mobile electronic gaming and entertainment systems under GAEMS upon acquisition of the subsidiary since November 2011; and

(iii) an increase in the sale of the Group's EMS appliances and appliances control products, revenue generated from which increased from approximately HK$489.3 million for the year ended 31 December 2010 to approximately HK$513.3 million for the year ended 31 December 2011, representing an increase of 4.9%.

Cost of Goods Sold

Cost of goods sold increased by 16.5% from HK$892.9 million in 2010 to HK$1,040.1 million in 2011. The increase was mainly due to:

(i) an increase in the volume of raw materials and components purchased by 13.9% to HK$859.2 million (2010: HK$754.4 million), primarily attributable to an increase in the sales of distribution businesses segment and EMS non-telecommunications products; and

(ii) an increase in labour costs caused by labour shortage and compliance with minimum wage requirement in the PRC and the associated production costs as a result of the appreciation of Renminbi.

Gross Profit

Gross profit increased by 6.6% from HK$252.6 million to HK$269.3 million, while the gross profit margin slightly reduced by 1.5% to 20.6% (2010: 22.1%). The gross profit was contributed by the EMS segment of 55.0% (2010: 67.4%) and Distribution Businesses of 45.0% (2010: 32.6%). The increase in gross profit was primarily attributable to the following reasons.

(i) The Distribution Businesses segment of the Group remained strong growth both in volume and gross profit in the year. The volume increased by 32.8% and the gross profit of the segment increased by 47.0% to HK$121.3 million (2010: HK$82.5 million) with the improving result of the distribution of multimedia products and computer accessories under the brand "TrekStor" and the additional contribution resulting from the distribution of the mobile gaming entertainment systems by the newly acquired business in late 2011 under the brand "GAEMS" respectively.

(ii) The continuing expansion into the Distribution Businesses gives the increasing level of gross profit for the year 2011. An increasing portion of the Group's gross profit is now derived from distribution businesses 45.0% (2010: 32.6%) during the year.

Other income

Other income decreased by 43.3% from HK$13.2 million in 2010 to HK$7.5 million in 2011. One of the major items in the last year is the sum of HK$7.3 million derived from the cancellation of customers' orders which no such item is found in current year.

Selling and distribution expenses

Selling and distribution expenses accounted for approximately 6.4% in 2010 and 6.1% in 2011 of the Group's revenue respectively. The Group maintained similar level of selling and distribution expenses to Group's revenue as last year.

Administrative expenses

Administrative expenses accounted for approximately 6.9% in 2010 and 7.0% in 2011 of the Group's revenue respectively. There is no major fluctuation in administrative expenses as a percentage of the Group's revenue in 2011.

Other operating expenses

Other operating expenses decreased by 29.7% from HK$40.8 million in 2010 to HK$28.7 million in 2011. The decrease was mainly attributable to the non-recurring one-off expenses of HK$12.1 million in relation to Group's IPO during the year 2010.

Finance costs

The Group's finance costs mainly comprise interests incurred for the Group's bank loans, import/export loans, factoring and other interests. The Group's other interest expenses represent the recognition of implicit interest on license fee payable. The Group's finance costs were approximately HK$4.4 million in 2010 and HK$8.4 million in 2011, represented approximately 0.4% and 0.6% of its revenue, respectively.

Income tax expenses

The Group's income tax expense mainly represents the Group's current profits tax provisions, at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong, PRC, the US, Japan and Germany. The Group had no tax payable in other jurisdictions during the years ended 31 December 2010 and 2011.

The Group's effective income tax rates for the years ended 31 December 2010 and 2011 were approximately 18.6% and 11.8%, respectively. The decrease in the Group's effective tax rates during the year 2011 was primarily attributable to the utilization of tax losses of the Group's overseas subsidiary in Germany.

Profit for the year attributable to owners of the Company

The profit for the year attributable to owners of the Company decreased by approximately 18.4% from approximately HK$69.9 million for the year ended 31 December 2010 to approximately HK$57.1 million for the year ended 31 December 2011. The Group's net profit margin attributable to owners of the Company decreased from approximately 6.1% for the year ended 31 December 2010 to approximately 4.4% for the year ended 31 December 2011.

The decrease was mainly attributable to the significant increase in cost of goods sold in the EMS segment due to an increase in labour costs caused by labour shortage and compliance with minimum wage requirement in the PRC and the associated production costs as a result of the appreciation of Renminbi.

Profit for the year attributable to non-controlling interests

Profit for the year attributable to non-controlling interests amounts to HK$3.5 million for the year ended 31 December 2011 (2010: loss of HK$14.2 million). The increase was primarily attributable to TrekStor and GAEMS, the indirectly owned subsidiaries of the Company in Germany and USA respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Group generally finances its operations and capital expenditure by internally generated cash flows and the proceeds from the Company's initial public offering in January 2011.

As at 31 December 2011, the cash and cash equivalents amounted to HK$147.8 million, representing an increase of HK$88.9 million from 2010. Respective sum of 40.4%, 27.7% and 19.8% of the cash and cash equivalents was denominated in Renminbi, US dollars and HK dollars and other 12.1% was denominated in various currencies.

The Group's current ratio reflects a strong position at 1.62 times (2010: 1.30 times).

As at 31 December 2011, the total interest-bearing bank borrowings were HK$51.9 million (2010: HK$62.6 million), comprised primarily of bank loans and import/export loans. These borrowings are all repayable within one year. The majority of these borrowings were denominated in US dollars, Hong Kong dollars and Euro and the interest rates applied were primarily subject to floating rate terms.

The Group was in a net cash position (cash and cash equivalents less total bank borrowings) of HK$95.9 million such that no gearing ratio applies.

Cash flow

In 2011, HK$38.3 million was generated from the operating activities, whilst HK$93.9 million were received on financing activities and HK$44.9 million were spent on investing activities respectively. Net cash inflow from financing activities was mainly related to the net proceeds from initial public offer of HK$119.6 million offset by the net repayment in bank borrowings of HK$10.3 million and the dividends paid of HK$15.6 million.

Exchange risk exposure

The Group mitigates its foreign exchange rate risk through foreign currency forward contracts and put option (the put option enables the Group to sell Euro at a designated strike price), in particular, the exchange rate between Euro and US dollars. The Group categorises these instruments as being entered into for purposes other than trading.

As at 31 December 2011, the Group had currency option and forward contacts with fair value of approximately HK$1.5 million. The contract amounts of the option and forward contracts are EUR3,000,000 and EUR2,500,000 respectively.

Capital expenditure

Capital expenditure for 2011 amounted to HK$19.6 million and capital commitments as at 31 December 2011 amounted to HK$19.9 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.

Pledge of assets

As at 31 December 2010 and 2011, none of the Group's assets was pledged.

Contingent liabilities

During 2011, a copyright collecting agency has unilaterally announced new copyright fees for certain products of the Group. Management estimates that the relevant alleged claim is approximately HK$7 million. Based on the latest available information, the directors are of the opinion that it is not probable that a Group will be required to settle the relevant alleged claim. (2010: Nil).

Acquisitions, disposals and significant investment

During the year ended 31 December 2011, the Group acquired the 51% equity interest of GAEMS, a company incorporated in the State of Washington, USA, at a subscription price of US$2.0 million pursuant to a share subscription agreement. The Group also provided a 3-year interest bearing loan of US$3.0 million to GAEMS to enable GAEMS to repay its loans, financial obligations and accounts payable due to third parties. Apart from the aforesaid transaction, there was no material acquisition, disposal or investment by the Group.

Human resources

As at 31 December 2011, the Group had 2,800 employees in various operating units located Hong Kong, USA, Germany, India and the 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 2011.

PROSPECTS

Looking ahead, the new financial period is expected to continue presenting a fair mix of challenges and opportunities. Through the management's careful direction, the Group's Distribution Business in multimedia products and computer accessories that is starting to bear fruit and enriched high-margin product portfolio, the management is cautiously optimistic towards the Group's performance in the coming year.

Having made significant strides in the past year, the Group's distribution business in multimedia products and computer accessories is expected to continue performing solidly in 2012. Backed by its well-received eBook reader and enhanced awareness of "TrekStor" brand, the management is considering to launch advanced series of the eBook reader to fully optimise returns. Meanwhile, it will also continue to extend the distribution channels and enrich product offerings under this brand.

Furthermore, the Group secured a new license towards the end of the financial year with a renowned phone and telecommunications giant to distribute SMB phone systems in South America. In addition to bolstering the Group's product portfolios, the license will allow the Group to extend distribution reach to yet another important market, thus strengthening its appeal to potential clients.

Encouraged by the positive market response following the launch of GAEMS's first electronic gaming product, the Group will now look forward to reporting on the performance of this brand within a full 12-month period. In 2012, the Group began the sales of G155 through the retail stores and online portal of a major video game console manufacturer in the US. Recently, it further extends the sales of the product through the online portal of a leading major video game developer. Besides, it will remain keen on identifying and developing other innovative gaming accessories.

Fully aware of the importance of strong geographical coverage, as well as the growing affluence of consumers in emerging markets, the Group has established offices in Shanghai, PRC and Chennai, India with the objective of expanding its presence in the two countries. The management will duly build on this network in the coming year as part of efforts to strengthen the Distribution Businesses.

To best combat production and labour costs, which most severely affected the EMS business, the management will implement a strategy that balances product expansion with prudent cost management. The Group will continue its commitment to the research and development of new products in order to reinforce its competitive edge in niche markets. More innovative products will be rolled out, in particular, baby care products – part of the healthcare product line – which will be further promoted in response to positive reception from consumers and retailers during the review year. By expanding sales volume and fully leveraging its extensive distribution network, this will in turn lead to more cost effective running of operations. Certainly, ongoing automation and cost control efforts will be pursued given that materials prices and labour cost is anticipated to remain high in 2012.

By bolstering the Company's competitiveness over its EMS counterparts on a variety of fronts, as well as having well-defined business strategies in place, the management is optimistic about achieving growth in the coming years.

OTHER INFORMATION

Dividends

The Board recommended the payment of a final dividend of HK cents 3.0 per ordinary share in respect of the year to shareholders on the register of members of the Company on 4 June 2012. 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 18 June 2012. 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 Thursday, 31 May 2012 to Monday, 4 June 2012 (both days inclusive), during such period no transfer of shares will be registered. To ensure the entitlement to the final dividend, 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 Wednesday, 30 May 2012.

Purchase, Sale or Redemption of Listed Securities of the Company

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of the subsidiaries during the period from the Listing Date to 31 December 2011.

Code on Corporate Governance Practices

The Company is incorporated in the Cayman Islands and has its shares listing on the Hong Kong Stock Exchange on 27 January 2011 (the "Listing Date"). The corporate governance practices are based on the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. Throughout the period from the Listing Date to 31 December 2011, 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.

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.

Audit Committee and Review of Accounts

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 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 held seven meetings after the Listing Date to the date of this announcement and has discussed and reviewed with management the annual results and the consolidated accounts for the year ended 31 December 2011.

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, 30 March 2012

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