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 2013

- Achieved turnover of HKD1,825.5 million for the year ended 31 December 2013, increased by 25.2% year over year
- Achieved profit attributable to owners of the Company of HKD28.6 million, increased by 22.4% year over year
- Recommended final dividend of HK cents 2.5 per share

The board of directors (the "Board") of Telefield International (Holdings) Limited 中慧國際控股有限公司 (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 (the "Year" or the "Period"), together with the comparative figures of 2012.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	4	**1,825,542**	1,458,192
Cost of goods sold		**(1,452,278)**	(1,176,863)
Gross profit		**373,264**	281,329
Other income	5	**23,872**	15,686
Selling and distribution expenses		**(125,547)**	(91,515)
Administrative expenses		**(153,618)**	(125,378)
Other operating expenses		**(66,988)**	(46,273)
Profit from operations		**50,983**	33,849
Finance costs	6	**(13,300)**	(10,854)
Share of loss of an associate		**(129)**	–
Profit before tax		**37,554**	22,995
Income tax expense	7	**(6,140)**	(3,507)
Profit for the year		**31,414**	19,488
Attributable to:			
Owners of the Company		**28,566**	23,345
Non-controlling interests		**2,848**	(3,857)
		31,414	19,488
Earnings per share	9		
Basic (HK cents)		**6.94**	5.67
Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**31,414**	19,488
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gains on property revaluation	**1,000**	8,200
Deferred tax arising from gains on property revaluation	**(165)**	(1,353)
	835	6,847
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**3,941**	192
Other comprehensive income for the year, net of tax	**4,776**	7,039
Total comprehensive income for the year	**36,190**	26,527
Attributable to:		
Owners of the Company	**33,422**	30,416
Non-controlling interests	**2,768**	(3,889)
	36,190	26,527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Fixed assets		**76,703**	83,716
Goodwill		**8,311**	12,157
Intangible assets		**55,425**	67,662
Investment in an associate		–	–
Available-for-sale financial assets		–	–
Deferred tax assets		**10,884**	12,174
		151,323	175,709
Current assets			
Inventories		**292,956**	270,249
Trade receivables	*10*	**420,770**	199,652
Prepayments, deposits and other receivables		**94,029**	51,610
Amount due from an associate		–	–
Amount due from a non-controlling shareholder of a subsidiary		**2,454**	–
Current tax assets		**1,143**	2,868
Bank and cash balances		**183,138**	161,808
		994,490	686,187
Current liabilities			
Trade payables	*11*	**318,240**	128,297
Accruals and other payables		**229,291**	191,719
Amounts due to non-controlling shareholders of subsidiaries		**4,203**	846
Bank borrowings		**111,813**	79,931
Financial liabilities at fair value through profit or loss		**3,476**	9,782
License fee payable		**6,867**	–
Derivative instruments		**6,119**	8,137
Product warranty provisions		**19,343**	17,463
Current tax liabilities		**5,128**	4,678
		704,480	440,853
Net current assets		**290,010**	245,334
Total assets less current liabilities		**441,333**	421,043

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
As At 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Non-current liabilities		
Financial liabilities at fair value through profit or loss	**9,929**	9,515
License fee payable	**19,777**	22,364
Deferred tax liabilities	**21,237**	25,383
	50,943	57,262
NET ASSETS	**390,390**	363,781
Capital and reserves		
Share capital	**4,117**	4,117
Reserves	**373,677**	356,905
Equity attributable to owners of the Company	**377,794**	361,022
Non-controlling interests	**12,596**	2,759
TOTAL EQUITY	**390,390**	363,781

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 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 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

a. Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

b. HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 "Consolidated Financial Statements" supersedes the requirements relating to consolidated financial statements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" and Hong Kong (SIC) Interpretation 12 "Consolidation – Special Purpose Entities". HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. It requires the consolidation of an investee if the entity controls the investee on the basis of de facto circumstances.

c. HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group's subsidiaries and associates in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

d. HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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 four 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
Gaming and Entertainment Products ("GEP")	–	Marketing and distribution of gaming and entertainment products

3. SEGMENT INFORMATION (CONT'D)

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 wireless communications products 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 Business.

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**	**GEP**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2013						
Revenue from external customers	**886,777**	**146,395**	**548,235**	**84,539**	**159,596**	**1,825,542**
Intersegment revenue	**205,631**	**–**	**88,833**	**–**	**260**	**294,724**
Segment profit/(loss)	**45,104**	**1,102**	**12,652**	**(3,771)**	**554**	**55,641**
Interest revenue	**998**	**1**	**5**	**18**	**3**	**1,025**
Interest expense	**1,882**	**4,280**	**6,979**	**–**	**159**	**13,300**
Depreciation and amortisation	**18,176**	**5,891**	**959**	**6,664**	**1,934**	**33,624**
Staff costs	**216,805**	**7,413**	**32,828**	**7,104**	**25,190**	**289,340**
Reversal of overly provided custom duty provisions	**–**	**–**	**–**	**–**	**–**	**–**
Share of loss of an associate	**–**	**–**	**(129)**	**–**	**–**	**(129)**
Income tax expense/(credit)	**6,419**	**318**	**99**	**(1,952)**	**1,256**	**6,140**
Additions to segment non-current assets	**13,007**	**68**	**536**	**29**	**2,567**	**16,207**
As at 31 December 2013						
Segment assets	**793,699**	**108,695**	**380,402**	**102,466**	**92,696**	**1,477,958**
Segment liabilities	**328,746**	**87,289**	**356,899**	**111,321**	**71,656**	**955,911**
Investment in an associate	**–**	**–**	**–**	**–**	**–**	**–**

3. SEGMENT INFORMATION (CONT'D)

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

		Distribution Businesses				
	EMS	TCP	MPCA	GEP	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)				(Restated)	(Restated)
Year ended 31 December 2012						
Revenue from external customers	787,906	158,407	440,603	48,412	22,864	1,458,192
Intersegment revenue	172,973	–	–	–	–	172,973
Segment profit/(loss)	37,423	1,026	13,239	(15,501)	(1,197)	34,990
Interest revenue	276	–	4	–	–	280
Interest expense	1,231	3,643	5,963	–	17	10,854
Depreciation and amortisation	16,863	6,025	849	7,124	419	31,280
Staff costs	184,952	7,206	34,757	8,878	4,506	240,299
Reversal of overly provided custom duty provisions	–	–	7,796	–	–	7,796
Share of loss of an associate	–	–	–	–	–	–
Income tax expense/(credit)	5,951	(675)	2,307	(3,541)	(535)	3,507
Additions to segment non-current assets	15,871	101	533	–	9,203	25,708
As at 31 December 2012						
Segment assets	668,586	101,946	172,450	126,940	56,324	1,126,246
Segment liabilities	237,783	81,528	161,661	127,447	48,911	657,330
Investment in an associate	–	–	–	–	–	–

3. SEGMENT INFORMATION (CONT'D)

(b) Geographical information:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Germany	**368,654**	292,457
The People's Republic of China ("the PRC") (including Hong Kong)	**351,325**	285,793
The United States of America	**294,800**	231,106
Switzerland	**198,928**	200,983
Italy	**107,767**	99,965
France	**74,261**	65,638
United Kingdom	**66,273**	68,753
Others	**363,534**	213,497
Consolidated total	**1,825,542**	1,458,192

	2013	2012
	HK$'000	*HK$'000*
Non-current assets		
Germany	**16,598**	16,254
The PRC (including Hong Kong)	**78,821**	86,992
The United State of America	**42,322**	56,793
Others	**2,698**	3,496
Consolidated total	**140,439**	163,535

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

3. SEGMENT INFORMATION (CONT'D)

(c) Revenue from major customers:

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

	2013	2012
	HK$'000	*HK$'000*
EMS segment		
Largest customer	**208,592**	200,585
Second largest customer	**N/A**	157,526
Distribution Businesses – MPCA segment		
Largest customer	**258,961**	189,780

4. REVENUE

	2013	2012
	HK$'000	*HK$'000*
Sales of goods	**1,843,970**	1,480,601
Net sales return arising from product warranty	**(18,428)**	(22,409)
	1,825,542	1,458,192

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**1,025**	280
Consultancy fee income	**2,328**	362
Discount on acquisition	**915**	1,459
Exchange gain, net	**1,361**	–
Realised gain on derivative instruments	**883**	–
Reversal of overly provided discounts provision	**3,742**	–
Reversal of copyright fees provisions	**5,019**	–
Sales of scrap materials	**1,175**	1,838
Reversal of allowance for receivables	**2,612**	–
Reversal of overly provided custom duty provisions	**–**	7,796
Others	**4,812**	3,951
	23,872	15,686

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Bank overdraft interest	**11**	1
Bank loans interest	**1,523**	1,081
Interest on import/export loans	**740**	581
Interest on factoring loans	**6,752**	5,548
Other interest expenses	**4,274**	3,643
	13,300	10,854

7. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**8,014**	5,823
Under/(over)-provision in prior years	**39**	(815)
	8,053	5,008
Current tax – Overseas		
Provision for the year	**3,502**	3,083
(Over)/under-provision in prior years	**(1,809)**	869
	1,693	3,952
Deferred tax	**(3,606)**	(5,453)
	6,140	3,507

Hong Kong Profits Tax has been provided at a rate of 16.5% (2012: 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	**2013** *HK$'000*	2012 *HK$'000*
Proposed final	*(a)*	**10,293**	8,234
Interim	*(b)*	**6,176**	6,176
		16,469	14,410

Notes:

(a) A final dividend of HK$0.025 (2012: HK$0.02) per ordinary share of the Company was proposed for the year ended 31 December 2013.

(b) The interim dividend for 2013 of HK$0.015 (2012: HK$0.015) per ordinary share of the Company, totaling HK$6,176,000 (2012: HK$6,176,000) was declared and paid in 2013.

9. EARNINGS PER SHARE

	2013 *HK$'000*	2012 *HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**28,566**	23,345
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	**411,714,000**	411,714,000

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

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 120 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**387,681**	190,098
91 to 180 days	**25,835**	3,328
181 to 365 days	**5,764**	4,403
Over 365 days	**1,490**	1,823
	420,770	199,652

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

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**3,635**	3,635
Allowance for the year	**2,843**	1,147
Reversal for the year	**(2,612)**	–
Bad debt written off	**(2,843)**	(1,147)
Exchange difference	**–**	–
At 31 December	**1,023**	3,635

As at 31 December 2013, trade receivables of approximately HK$96,366,000 (2012: HK$41,848,000) 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:

	2013	2012
	HK$'000	*HK$'000*
Up to 3 months	**85,760**	33,099
Over 3 months	**10,606**	8,749
	96,366	41,848

11. TRADE PAYABLES

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

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**312,898**	123,122
91 to 180 days	**3,160**	3,624
181 to 365 days	**588**	341
Over 365 days	**1,594**	1,210
	318,240	128,297

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 2013 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 2013. 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

The global economy has begun to show signs of a modest upturn, and this has been supported by increasingly robust consumption sentiment. As the uptake of consumer electronic products has begun to gain momentum, this has provided leading brands with the confidence to increase their purchases. Correspondingly, the Group's Electronic Manufacturing Services ("EMS") and distribution businesses were both able to achieve increases in revenue. However, concerns relating to operating expenses and labour costs have yet to dissipate, and have been further aggravated by the asset valuation adjustment. Such issues have affected the performance of the electronic manufacturing services and distribution businesses, in turn reducing the profit growth momentum of the Group during the Year.

Though the new businesses of the Group have experienced a challenging past year, which include ongoing development of the sales network in China, and the establishment of an India distribution unit and manufacturing facilities, the new businesses established in the last few years are on the right development track and are expected to contribute to the growth of the Group's revenue in the coming years.

For the year ended 31 December 2013, the Group's recorded revenue of HK$1,825.5 million, up 25.2% from HK$1,458.2 million for the corresponding period of last year. Gross profit realised an increase of 32.7% to HK$373.3 million, compared to HK$281.3 million in 2012. Profit attributable to owners of the Company amounted to HK$28.6 million (2012: HK$23.3 million).

Consistent with its ongoing practice, the Group has maintained healthy cash flow during the review period, with cash and cash equivalents amounting to HK$183.1 million (2012: HK$161.8 million). The Board has recommended a final dividend of HK cents 2.5 per share for the Year.

EMS Business

The EMS business achieved turnover of HK$886.8 million (2012: HK$787.9 million) for the Year, thus accounting for 48.6% of the Group's total turnover (2012: 54.0%). Though consumption sentiment during the first half year was lacklustre, a modest rise in confidence was experienced in the remaining year complemented by the traditional increase in orders to meet the yearend holiday period.

Over the past twelve months, the Group has continued to carefully manage its product portfolio, ensuring that the well diversified line-up of telecommunications and non-telecommunications products are able to cater for the needs of renowned consumer electronic brand customers from around the world. At the same time, the management has been cognisant of the need to minimise the impact of rising labour, RMB exchange rate and material costs, consequently adopting relevant measures that go towards protecting the Group's profit margin. Among the steps taken include providing ongoing training to staff members and increasing automation so as to realise greater production efficiency, higher output and lower cost per unit produced. Yet another measure pursued has been the nurturing of ties with the Group's various suppliers in order to safeguard its supply of raw materials.

Distribution Businesses

The total turnover of the distribution businesses amounted to HK$938.7 million (2012: HK$670.3 million), representing a year-on-year increase of 40.1%. Contributing to the upturn has been the increased take-up of multimedia products, boosted by the expanding demand for tablets, including the TrekStor tablet PC, as well as rising sales of GAEMS products.

i. Telecommunications Products

The telecommunications business is primarily involved in the distribution of small and medium business phone systems ("SMB phone systems") in the Americas. In the Year, segment revenue amounted to HK$146.4 million (2012: HK$158.4 million). The Group successfully bolstered its product series with the introduction of a VoIP SMB Phone System, and in so doing, further extended its market position in the SMB phone system market in the US. To encourage additional growth of the telecommunications business as a whole, the Group has sought to widen the distribution network to encompass emerging markets.

ii. Multimedia Products & Computer Accessories

The multimedia products and computer accessories business realised satisfactory growth during the Year as reflected by a year-on-year rise in turnover of 24.4% to HK$548.2 million (2012: HK$440.6 million). Among the new products that were launched during the Year, included the Volks-tablet PC and a tablet PC designed for a leading telephone service provider in Germany. The Group remains among the top tablet PC brands in Germany, and has been able to protect this coveted position by leveraging an effective distribution network and executing impactful marketing strategies.

iii. Gaming and Entertainment Products

With the goal of spurring the growth of the gaming and entertainment products distribution business in mind, the Group has continued to leverage its relations with a US video game and entertainment products retailer; having formally established ties since the end of 2012. While utilising its nationwide retail network to distribute products, the Group will also seek to raise awareness of the GAEMS product series, particularly since launching GAEMS Sentry and Vanguard in the second half of 2012 – a new series of products that have thus far received a warm market reception.

iv. Others

Acquisitions have continued to play an integral role in the Group's development process; representing one means by which the management can realise its dual objectives of bolstering existing operations and extending its reach to new markets. Case in point was the subscription agreement with Fargo Telecom in September 2012. In acquiring 53% of the enlarged issued shares of the company at a consideration of HK$15.0 million in cash, the Group has been able to capitalise on its expertise in developing high-end niche communications products, which will lead to the expansion of the Group's portfolio of products and solutions.

In respect of revenue based on geographical region, total revenue from major European countries (Germany, United Kingdom, Switzerland, France and Italy) climbed by 12.1% to HK$815.9 million (2012: HK$727.8 million), accounting for 44.7% of the Group's overall turnover. With regards to the PRC (mainly Hong Kong), revenue of HK$351.3 million was achieved, a year-on-year increase of 22.9% over HK$285.8 million in 2012. The United States represented the third largest market for the Group, with HK$294.8 million (2012: HK$231.1 million) in revenue generated during the Year, accounting for 16.1% of the Group's total turnover. As for other countries, turnover rose by 70.3% to HK$363.5 million (2012: HK$213.5 million).

FINANCIAL INFORMATION

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group recorded total revenue of HK$1,825.5 million, an increase of 25.2% 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 the continued contribution of the distribution businesses.

The Group's reporting segments are strategic business units that offer different products and services. There are two broad groups of business units for segment accounting purpose, EMS and Distribution whereas the latter can be subdivided into telecommunications products, multimedia products and computer accessories, gaming and entertainment products and others.

The Group's other operating segments include the marketing and distribution of wireless communications products and others.

For the year ended 31 December 2013, the revenue from EMS increased by 12.5% to HK$886.8 million (2012: HK$787.9 million), whereas the revenue from Distribution segment increased by 40.1% to HK$938.7 million (2012: HK$670.3 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 35.0% to HK$1,549.9 million (2012: HK$1,148.1 million), which in turn contributes 84.9% (2012: 78.7%) 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.

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

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

The revenue generated from EMS has been increased from HK$636.2 million for the year 2012 to HK$757.6 million for the year 2013 which in turn bolstered by the increase resulting from Appliances & Appliances Control of HK$51.3 million and the increase in revenue from Multimedia Products of HK$55.8 million.

Contributing to the rise in revenue was the solid demand for the TrekStor tablet PC, which achieved a noticeable improvement in sales during the year. The revenue generated from this segment of HK$548.2 million (2012: HK$440.6 million) representing an increase of 24.4% and the revenue also accounted for approximately 30.0% (2012: 30.2%) of the Group's total revenue for the year ended 31 December 2013; and

The revenue of HK$159.6 million (2012: HK$22.9 million) recorded in the sale of the wireless communications devices and other products under the other distribution business segment and the continuing revenue generated from the mobile electronic gaming and entertainment systems under "GAEMS" of HK$84.5 million (2012: HK$48.4 million).

Cost of Sales

Cost of sales increased by 23.4% from HK$1,176.9 million in 2012 to HK$1,452.2 million in 2013 corresponded to the increase in revenue of the Year.

Gross Profit

Gross profit increased by 32.7% from HK$281.3 million to HK$373.3 million, while the gross profit margin slightly increased to 20.4% (2012: 19.3%). The gross profit was contributed by the EMS segment of 41.3% (2012: 53.1%) and distribution businesses of 58.7% (2012: 46.9%). The increase in gross profit was primarily attributable to the following reasons:

(i) The distribution segment of the Group remained strong growth both in volume and gross profit in the year. The volume increased by 40.1% and the gross profit of the segment increased by 66.0% to HK$219.2 million (2012: HK$132.0 million) with the improving results of both the distribution of multimedia products and computer accessories under the brand "TrekStor" and the distribution of the mobile gaming entertainment systems under the brand "GAEMS" and the full year contribution resulting from the distribution of wireless communications products under the brand "Maestro" from the newly acquired business in late 2012 respectively.

(ii) The continuing expansion into the distribution businesses gives the increasing level of gross profit for the year 2013. An increasing portion of the gross profit is now derived from distribution businesses 58.7% (2012: 46.9%) during the year.

Other income

The other income of HK$23.9 million (2012: HK$15.7 million) was mainly derived from the reversal of respective provisions of discount to customers of HK$3.7 million upon settlement and copyright fees of HK$5.0 million on recognition of the available information on the chargeability of copyright fees on the storage products in Germany and the income of HK$2.6 million on recovery of receivables previously provided for doubtful allowances.

Selling and distribution expenses

Selling and distribution expenses accounted for approximately 6.3% in 2012 and 6.9% in 2013 of the Group's revenue respectively. The Group maintained similar level of selling and distribution expenses to the Group's revenue as last year.

Administration expenses

Administration expenses accounted for approximately 8.6% in 2012 and 8.4% in 2013 of the Group's revenue respectively. The increase in value is mainly caused by the impact of full year operation of the subsidiaries joined in second half of 2012 topped up with the additional expenses recorded for the newly acquired subsidiaries during the year 2013.

Other operating expenses

Other operating expenses increased by 44.8% from HK$46.3 million in 2012 to HK$67.0 million in 2013. The increase was mainly attributable to the additional research and development cost of HK$8.0 million expended by the Group to enhance its design and manufacturing ability and the impairment of goodwill arising from the acquisition of GAEMS of HK$4.3 million.

Finance costs

The Group's finance costs mainly comprise interest payments for the Group's bank loans, import/export loans, factoring charges and implicit interest on financial liabilities. The Group's finance costs were approximately HK$10.9 million in 2012 and HK$13.3 million in 2013, represented approximately 0.7% of its revenue in both years.

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, PRC, Japan, the US, India and Germany. The Group had no tax payable in other jurisdictions during the years ended 31 December 2012 and 2013.

The Group's effective income tax rates for the years ended 31 December 2012 and 2013 remained fairly stable and were approximately 15.3% and 16.3%, respectively.

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased by approximately 22.4% from approximately HK$23.3 million for the year ended 31 December 2012 to approximately HK$28.6 million for the year ended 31 December 2013. The Group's net profit margin attributable to owners of the Company remained constant at 1.6% for the years ended 31 December 2012 and 31 December 2013.

Profit for the year attributable to non-controlling interests

Profit for the year attributable to non-controlling interests amounts to the profit of HK$2.8 million for the year ended 31 December 2013 (2012: loss of HK$3.8 million). The increase in the net profit contributed primarily by the improving results of GAEMS.

LIQUIDITY AND CAPITAL RESOURCES

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

As at 31 December 2013, the cash and cash equivalents amounted to HK$183.1 million, representing an increase of HK$21.3 million from 2012. Respective sum of 38.5%, 33.0% and 14.5% of the cash and cash equivalents was denominated in RMB, US dollars and HK dollars and others 14.0% was denominated in various currencies.

The Group's current ratio remains in a healthy position at 1.41 times (2012: 1.56 times).

As at 31 December 2013, the total interest-bearing bank borrowings were HK$111.8 million (2012: HK$79.9 million), comprised primarily of bank loans and overdrafts 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 or 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$71.3 million such that no gearing ratio applies.

Cash flow

In 2013, HK$21.2 million was generated from the operating activities respectively, whilst HK$21.2 million were received on financing activities and HK$23.9 million were spent on investing activities respectively. Net cash inflow from financing activities was mainly related to the net bank borrowings raised of HK$31.9 million offset by the dividend paid of HK$14.4 million.

Exchange risk exposure

The Group mitigates 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 2013, the Group had forwards contacts of fair value of approximately negative of HK$6.1 million. The contract amount of the forward contracts is Euro16.0 million.

Capital expenditure

Capital expenditure for 2013 amounted to HK$14.3 million and capital commitments as at 31 December 2013 amounted to HK$16.3 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 2012 and 2013, none of the Group's assets was pledged.

Contingent liabilities

As at 31 December 2013, the Group has a patent infringement claim lodged by E-Ink Corp. against one of its subsidiaries, seeking for an injunction against the sale of ebook reader and for a compensation of approximately HK$10.7 million (2012: HK$10.3 million). The management considers E-Ink Corp.'s allegations are without merits and thus no provision for loss had been provided.

A copyright collecting agency has unilaterally announced copyright fees for certain storage products of the Group sold in Germany. Management estimated that the alleged claim from the copyright collecting agency at the end of reporting period is approximately HK$53.9 million (2012: HK$40.1 million). Based on the latest information and legal opinion, the directors are of the opinion that it is highly improbable that the Group is required to pay the relevant copyright fees and the provision previously made has been reversed during the year.

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

Acquisitions, disposals and significant investment

During the year, there was no material acquisition, disposal or investment by the Group.

Human resources

As at 31 December 2013, the Group had 2,800 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 2013.

PROSPECTS

Though signs of an economic recovery are emerging, particularly in the United States, persistent challenges in the form of production and labour costs will continue to impede the progress of many manufacturers. The management is however experienced in operating under this mixed environment of opportunities and challenges, exploiting the former while coping with the latter; hence it remains cautiously optimistic about the Group's prospects going forward. Aiding the Group's advancement will be its strategies for developing the EMS and distribution businesses, designed to promote synergies among relevant operations, resulting in sustainable growth and enhanced profitability.

Central to the Group's ongoing progress will be the development of niche market products that capture the wants and desires of consumers. Having made progress with tablet PCs, which have enjoyed strong take-up in Europe, particularly Germany, the management will leverage the Group's technological edge to introduce more innovative products and solutions. Concurrently, the Group will tap the expertise of Fargo Telecom to develop telecommunication products for a market that has been delivering increasingly higher revenue to the Group.

With respect to the GAEMS operation, the GAEMS brand will encompass an even larger portfolio of products in the coming year as new games are set for introduction. Having penetrated the North American market, further expanded sales networks in other regions, such as Australia and Europe will be realised in the upcoming financial period, which will help spur interest in the wider line-up of GAEMS products.

Increasing market penetration will continue to be an important pursuit of the Group for all of its businesses, whether through organic means or by strategic acquisitions. While extensive business networks have already been established through the ladder, specifically in the US, Germany, and other European and Asian countries, still more markets will be entered in the near future. The management has been exploring such emerging markets, and already the latest milestones achieved by the India operation include the commencement of the EMS business during the Year.

As aforementioned, 2014 is expected to deliver a mixture of fortunes. Nonetheless, having established a solid track record of sustained growth over the years, the management remains confident that this record will continue through effective strategies, innovative product portfolio, extensive business network and healthy business ties, all of which are clearly in place.

OTHER INFORMATION

Dividends

The Board recommended the payment of a final dividend of HK cents 2.5 per ordinary share in respect of the year to shareholders on the register of members of the Company on 10 June 2014. 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 26 June 2014. 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 Friday, 6 June 2014 to Tuesday, 10 June 2014 (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 Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong, no later than 4:30 pm on Thursday, 5 June 2014.

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 year ended 31 December 2013.

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 Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2013, 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 separated 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 annual results of the Company have been reviewed by the Audit Committee.

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, 21 March 2014

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