

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Shinhint Acoustic Link Holdings Limited [hereafter the "Group"], I am pleased to present the audited annual results of the Group for the year ended 31st December 2006.

## RESULTS

Despite of the challenges confronted by the industry in 2006, our performance during the past year can be regarded as highly encouraging. For the review period, the Group achieved turnover of HK\$1,174,157,000, up from HK\$1,016,198,000 recorded in 2005, representing a rise of 15.5% year on year. Net profit likewise increased by 10.8% to HK\$50,329,000 from HK\$45,432,000.



**Cheung Wah Keung**  
*Chairman of the Board*

Taking into consideration the Group's sound state of financial health, the Board has recommended the payment of a final dividend of HK cents 3.8 per share, thus making the total dividend for 2006 at HK cents 5.3 per share. The Group achieved a per share dividend payout ratio of approximately 31.2% for the year.

## BUSINESS DEVELOPMENT HIGHLIGHTS

The pace of adoption of digital technology around the world remains intense and this has directly benefited the electro-acoustic peripheral industry. However, with consumers' ever more sophisticated tastes, products must possess a combination of attributes such as portability, durability and stylishness, and even impart a sense of individuality. Cognizant of this trend, the Group has worked closely with international brands to co-develop products that are in direct response to consumers' dictates, and have duly reaped the benefits of such endeavors.

Still, with an industry that is best characterized as constantly evolving, research and development remain the backbone of our Group. Consequently, we have continued to attract engineers, seasoned in product design and development, to bolster our R&D team. Concurrently, we have sought to broaden our product offerings while facilitating greater cross-device application. Proving that such efforts have not been misguided, our emphasis on investing in R&D, particularly on wireless devices, was pivotal in helping the Group improve its business performance during the year.

Turning ideas into reality has been our 72 production lines which were able to raise capacity, rising by 20%, as a result of new equipment purchased from Europe during the review period as well as implementation of enhancement initiatives. Building on such efforts, we will be expanding production of speaker drivers and have already established a wholly-owned foreign investment in ChangAn Town, Dongguan. Dong Guan Shinhint Audio Technology Limited will be dedicated to manufacturing speakers for the automotive and flat-panel high-fidelity segments, among others, once its new factory becomes fully online in mid-2007.

Though our objective of meeting the needs of our customers is paramount, we are also aware that corporate social responsibility should be an integral element of our corporate culture. Accordingly, we have been fully compliant with the Restriction of Hazardous Substances (RoHS) Directive of the European Union since January 2006, and will continue to incorporate RoHS guidelines into our business practices.

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## PROSPECTS

Moving forward, the Group subscribes to the opinion that the electro-acoustic peripheral market will remain bullish, an optimism fuelled by the global shift towards digital broadcasting technology, dominance of the Internet as well as growing popularity of Wi-Fi. The trend of mobile phones that doubles as personal stereo units is also a factor not to be ignored. Just as significant, LCD and plasma TVs that are becoming thinner; represents yet another development that will create fresh opportunities for Shinhint.

To take advantage of all of these prospects, we have not only dedicated greater energies on research and development but continued to foster partnerships with industry leaders that help enhance our capabilities, including the ability to quickly adapt to the latest technologies, pursue new business opportunities as arise from the rapidly evolving digital world.

Coordinating our technical, production and manufacturing prowess is an expanded management team that now boasts even greater depth and breadth of experience. Through their efforts, concise strategies have been formulated which will help the Group realize its expansionary efforts across the American, Asian and European markets.

Having not only planned but executed various programs that have fortified our lead position in the electro-acoustic peripheral industry, we remain confident in the ability to enhance our revenue streams and profitability in the coming years.

On behalf of the Board of Directors, I would like to extend my gratitude to our business partners, customers and shareholders for their continuous support. The dedication of the management team and diligence of all staff members should also be lauded. While having maintained encouraging growth momentum over the year, we look forward to surpassing our past successes and realizing even greater returns for our shareholders in the period ahead.

**Cheung Wah Keung**

*Chairman of the Board*

26th April, 2007