

Report of the Directors



The directors of the Company (the "Directors") are pleased to present to the shareholders their report together with the audited financial statements of Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 35 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 31st December, 2006 are set out in the consolidated income statement on page 31.

An interim dividend of HK cents 1.5 per share was paid during the year. The directors has recommended the payment of a final dividend of HK cents 3.8 in cash per share, to the shareholders on the register of members on 25th May, 2007, amounting to a total of HK cents 5.3 in cash per share for the year.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 34.

MATERIAL INVESTMENT AND ACQUISITION

During the reporting period, the Group had no significant investment and acquisition activities.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31st December, 2006 are set out in Notes 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year and details of the Group's property, plant and equipment are set out in note 14 to the accompanying financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 27 to the financial statements. During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.



DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Cheung Wah Keung (*Chairman*)
Mr. Ip Wai Cheong, Ernest
Mr. Wang Dong
Mr. Feng Tian (resigned on 6th March 2006)

Independent Non-Executive Directors

Mr. Lai Ming, Joseph
Dr. Lam King Sun, Frankie
Mr. Goh Gen Cheung

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Cheung Wah Keung and Mr. Lam King Sun, Frankie will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the Directors has entered into a service contract with the Company commencing from the date of employment for a term of three years. Executive Directors may be terminated by not less than three months prior notice in writing served by either party on the other.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31st December, 2006, the interests of the directors and chief executives in the shares of the Company, underlying shares in respect of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest and capacity shares	Total number of ordinary shares	Approximate percentage of interest
Cheung Wah Keung	Interest in a controlled corporation (<i>Note</i>)	152,655,473	50.32%
	Beneficial owner	6,056,000	1.99%
Ip Wai Cheong, Ernest	Beneficial owner	5,298,302	1.75%

Note: 152,655,473 shares were held by Pro-Partner Developments Limited, which is wholly owned by Mr. Cheung Wah Keung.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

All the interests stated above represented long positions. As at 31st December, 2006, no directors and chief executive had short positions recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

On 25th June, 2005, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company, under which, options the Company may grant to any eligible participants (including any executive directors of the Company) to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

As at 31st December, 2006, no options have been granted under the Share Option Scheme.

On at 11th May, 2005, an option to subscribe for 3,397,500 shares in the Company at an exercise price equal to the par value of HK\$0.01 per share was granted to a director of the Company as pre-IPO Share Option as follows:

Director	Date of grant	Outstanding at 1st January, 2006	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31st December, 2006	Option period	Subscription price per share
Ip Wai Cheong, Ernest	11th May, 2005	3,397,500	-	3,397,500	-	-	-	14th January, 2006 to 31st December, 2007	HK\$0.01

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, as far as known to the directors, the following persons (other than the directors or chief executives of the Company) who had 5% or more interests in the shares or underlying shares in respect of equity derivatives of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Capacity/Nature of interests	Total interests in shares	Approximate percentage of interests
Pro Partner Developments Limited	Beneficial owner	152,655,473	50.32%
Lucky Merit Holdings Limited ⁽²⁾	Beneficial owner	16,500,000	5.44%
New World Development Company Limited ⁽²⁾	Corporate	16,500,000	5.44%
S.I. Technology Venture Capital Limited ⁽³⁾	Beneficial owner	16,500,000	5.44%
Shanghai Industrial Investment (Holdings) Company Limited ⁽³⁾	Corporate	16,500,000	5.44%

Notes:

- 1: Interests in shares stated above represent long positions.
- 2: Lucky Merit Holdings Limited, which directly holds 16,500,000 shares in the Company, is an indirect wholly-owned subsidiary of New World Development Company Limited ("NWDCL"), shares of which are listed on the Main Board. Therefore, NWDCL is deemed to be interested in those 16,500,000 shares.
- 3: S.I. Technology Venture Capital Limited, which directly holds 16,500,000 shares in the Company, is a wholly-owned subsidiary of Shanghai Industrial Holdings Limited ("SIHL") shares of which are listed on the Main Boards Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") indirectly controls more than one-third of the voting power of SIHL, therefore SIIC is deemed to be interested in those 16,500,000 shares.

Save as disclosed above, no other person had registered an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 31st December, 2006.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the section "Connected Transactions", no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



CONTINUING CONNECTED TRANSACTIONS

Pursuant to the supply agreement dated 25th June, 2005 between Crown Million Industries (International) Limited ("CMI"), and Dongguan Guanman Acoustic Company Limited. ("DGAC"), a connected person of the Company by virtue of being ultimately controlled by Mr. Ip Wai Cheong, Ernest, an Executive Director of the Company, DGAC had agreed to supply CMI with speakers for automobile and plasma television ("the Products") for a term of two years commencing on 1st January, 2005 until 31st December, 2006 in accordance with the terms of the sale and purchase contracts to be entered into between the parties from time to time during the term of the agreement. The continuing connected transaction contemplated under this supply agreement is subject to reporting, announcement and independent shareholders approval requirements, but waiver from strict compliance therewith (except the reporting requirement) has been obtained from the Stock Exchange. For the year ended 31st December, 2005, the total sales by DGAC to CMI amounted to HK\$72,982,000 (2005: 87,483,000), which did not exceed the annual cap of HK\$90,000,000 prescribed for the year ended 31st December, 2006.

The Independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that these transactions have been entered into:

- a) in the ordinary and usual course of business of the Group;
- b) on normal commercial terms that are fair and reasonable; and
- c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For further details regarding the above continuing connected transactions, please refer to note 36 to the financial statements.

COMPETING INTEREST

None of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

REMUNERATION POLICY

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of the individuals' merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.



REMUNERATION POLICY (Continued)

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the Scheme are set out under the section headed "Share Option Scheme" above.

PURCHASE, SALE OR REDEMPTION OF SHARES

At the 2005 annual general meeting of the Company held on 25th May, 2006, an ordinary resolution was passed to grant a general mandate to the Directors to exercise the powers of the Company to purchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the resolution.

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31st December, 2006.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles although there are no restrictions against such rights under the laws in the Cayman Islands.

EMPLOYEES

As at 31st December, 2006, the Group had a total of about 4,300 employees in Hong Kong and the PRC Employees' cost (excluding directors' emoluments) amounted to approximately HK\$79,670,000 (2005: HK\$65,942,000). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	69.70%
– five largest customers combined	95.50%
Purchases	
– the largest supplier	8.6%
– five largest suppliers combined	25.01%

At 31st December, 2006, Mr. Ip Wai Cheong, Ernest had a benefit interest in one of the five largest suppliers of the Group. All transaction between the Group and the suppliers concerned were carried out on normal commercial terms.

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MAJOR CUSTOMERS AND SUPPLIERS (Continued)

Save as disclosed, none of the Directors, their associate or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, basing on the information that is publicly available to the Company and within the knowledge of the Directors.

POST BALANCE SHEET EVENTS

Details of post balance sheet event are set out in note 36 to the financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to reappoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Cheung Wah Keung

Chairman

26th April, 2007