1. BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). The Company's parent and ultimate holding company is Pro Partner Developments Limited (incorporated in the British Virgin Islands). The addresses of the registered office and the principal place of business of the Company are disclosed in the Corporate Information to the annual report.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on SEHK, the Company issued shares in exchange for the entire issued share capital of Shinhint Industries Limited and thereby became the holding company of the Group on 11th May, 2005. Details of the Group Reorganisation are set out in the prospectus dated 30th June, 2005 issued by the Company. The shares of the Company have been listed on SEHK with effect from 14th July, 2005.

The Group resulting from the above mentioned reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the year ended 31st December, 2005 had been prepared using the principles of merger accounting as if the group structure under the group reorganisation had been in existence throughout the year ended 31st December, 2005.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 35.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material financial impact on the results of operation and financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-INT 8	Scope of HKFRS 2[4]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC)-INT 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1st January, 2007
2 Effective for annual periods beginning on or after 1st January, 2009
3 Effective for annual periods beginning on or after 1st March, 2006
4 Effective for annual periods beginning on or after 1st May, 2006
5 Effective for annual periods beginning on or after 1st June, 2006
6 Effective for annual periods beginning on or after 1st November, 2006
7 Effective for annual periods beginning on or after 1st March, 2007
8 Effective for annual periods beginning on or after 1st January, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on SEHK and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of returns and allowances.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Business combinations under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations under common control (Continued)

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Business combinations other than common control

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

Impairment testing on capitalised goodwill

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised but not yet impaired is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Club membership

Club membership with indefinite useful life is carried at cost less any identified impairment loss and is tested for impairment annually.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are mainly classified as loans and receivables. The accounting policies adopted in respect of loans and receivables are set out below.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade debtors, deposits, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade creditors and accrued charges, bills payable, amount due to a related company and bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial assets, the difference between the carrying amount of the financial asset and the sum of the consideration received is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Derecognition** (Continued)*

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over the useful life of the project. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies(Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to the defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Equity settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

4. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include trade debtors, deposits, pledged bank deposits, bank balances, trade creditors and accrued charges, bills payable, amount due to a related company and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Interest rate risk reflects the risk that the Group might expose through the impact of rate changes on interest-bearing financial assets. Interest-bearing financial assets are mainly balances with banks which are all short term in nature. Interest-bearing financial liabilities are mainly bank loans which are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The management will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to its trade debtors. The Group is exposed to concentration of credit risk as a substantial portion of its trade debtors is generated from a limited number of customers. During the year, the top five customers of the Group accounted for about 95% of the Group's trade debtors. The Group manages its credit risk by closely monitoring the granting of credit period. The Group also reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings.

b. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the net amount received and receivable for goods sold by the Group to outside customers, less returns and allowances, during the year.

Business segments

The Group is currently organised into five revenue streams – sale of communication products, multi-media products, entertainment products, audio products and others. These revenue streams are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2006

	Communication products	Multimedia products	Entertainment products	Audio products	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	169,420	515,588	357,877	40,917	90,355	1,174,157
RESULT						
Segment result	14,007	27,979	19,498	1,136	(771)	61,849
Unallocated income						2,653
Unallocated corporate expenses						(363)
Loss on disposal of an associate	–	–	–	(3,944)	–	(3,944)
Finance costs						(2,487)
Profit before taxation						57,708
Taxation						(7,379)
Profit for the year						50,329

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Balance sheet

	Communication products HK$'000	Multimedia products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	79,437	234,094	166,740	22,133	49,379	551,783
Unallocated corporate assets						123,371
Consolidated total assets						675,154
LIABILITIES						
Segment liabilities	51,936	152,226	108,902	14,789	33,042	360,895
Unallocated corporate liabilities						51,872
Consolidated total liabilities						412,767

Other information

	Communication products HK$'000	Multimedia products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditure	2,367	7,202	4,999	572	1,262	718	17,120
Depreciation	2,290	6,970	4,838	553	1,222	145	16,018
Loss on disposal of property, plant and equipment	58	176	122	14	31	–	401
Allowance for bad and doubtful debts	15	46	32	4	8	–	105

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

2005

	Communication products HK$'000	Multimedia products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE						
External sales	162,247	440,769	289,150	46,548	77,484	1,016,198
RESULT						
Segment result	11,385	24,464	18,882	1,215	2,850	58,796
Unallocated income						1,619
Unallocated corporate expenses						(2,031)
Finance costs						(2,014)
Share of result of an associate	–	–	–	(2,900)	–	(2,900)
Profit before taxation						53,470
Taxation						(8,029)
Profit for the year						45,441

Balance sheet

	Communication products HK$'000	Multimedia products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	93,352	253,605	154,665	26,782	30,414	558,818
Investment in an associate	–	–	–	5,874	–	5,874
Unallocated corporate assets						89,611
Consolidated total assets						654,303
LIABILITIES						
Segment liabilities	62,540	169,899	103,301	17,942	19,995	373,677
Unallocated corporate liabilities						55,817
Consolidated total liabilities						429,494

5. REVENUE AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

Other information

	Communication products HK$'000	Multimedia products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditure	2,634	7,279	4,009	795	447	4,388	19,552
Depreciation	1,889	5,221	2,938	570	396	2,360	13,374
Loss on disposal of property, plant and equipment	38	104	58	11	7	–	218
Loss on disposal of investment properties	–	–	–	–	–	74	74
Impairment loss on goodwill	12	34	19	3	2	–	70

Geographical segments

Segment information regarding the Group's sales by geographical market, irrespective of the origin of the goods is presented below:

	Revenue by geographical market 2006 HK$'000	2005 HK$'000
The People's Republic of China	**68,472**	100,294
Other Asia regions	**78,361**	64,598
North America	**490,772**	434,479
Europe	**536,552**	416,827
	1,174,157	1,016,198

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China	**241,149**	278,786	**17,072**	19,522
Other Asia regions	**2,179**	55,389	**48**	–
North America	**15,375**	108,662	**–**	–
Europe	**293,080**	115,981	**–**	–
	551,783	558,818	**17,120**	19,522

6. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Bank interest income	**1,664**	935
Sundry income	**989**	1,023
	2,653	1,958

7. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Finance charges on obligations under finance leases	**43**	130
Interest on bank borrowings wholly repayable within five years	**2,444**	1,884
	2,487	2,014

8. PROFIT BEFORE TAXATION

	2006 HK$'000	2005 HK$'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration		
Current year	1,300	1,160
Overprovision in prior years	(1)	(10)
	1,299	1,150
Cost of inventories recognised as an expense	1,022,255	875,856
Depreciation		
Owned assets	15,519	12,875
Assets held under finance leases	499	499
	16,018	13,374
Net exchange loss	2,181	2,415
Directors' emoluments *(note 10)*	4,454	5,572
Retirement benefit scheme contributions *(note 32)*	1,361	1,525
Other staff costs	78,309	64,417
Total staff costs	84,124	71,514
Operating lease rentals in respect of rented premises	1,246	322
Other rental expenses	8,194	7,777
Research and development costs	1,749	3,347
Shares issue expenses	–	5,570
Impairment loss on goodwill (included in administrative expenses)	–	70
Loss on disposal of property, plant and equipment	401	218
Loss on disposal of investment properties	–	74
Allowance for bad and doubtful debts	105	–

9. TAXATION

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**7,990**	7,601
Other jurisdictions	**9**	–
	7,999	7,601
Overprovision in respect of prior years		
Hong Kong Profits Tax	**(162)**	(104)
Other regions in the People's Republic of China ("PRC")	**–**	(88)
	(162)	(192)
Deferred taxation *(note 29)*		
Current year	**(458)**	620
	7,379	8,029

Hong Kong Profits Tax is calculated at 17.5% (2005:17.5%) of the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in PRC, the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax and the local income tax for two years starting from their first profit-making year followed by a full exemption from the local income tax and a 50% relief from PRC Enterprise Income Tax for the next three years ("Tax Holiday"). No provision for PRC Enterprise Income Tax and the local income tax has been made in the consolidated financial statements as all of the PRC subsidiaries either have no assessable profits arising in the PRC or were exempted from PRC Enterprise Income Tax and the local income tax during the year.

A subsidiary is engaged in typical processing arrangement with a PRC processing factory during the year. As 50% of its assessable profits were attributable to its manufacturing operation in PRC, the subsidiary filed Hong Kong Profits Tax at 50:50 basis. Accordingly, 50% of its assessable profits were offshore in nature and non-taxable.

9. TAXATION (Continued)

Taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2006 HK$'000	2005 HK$'000
Profit before taxation	**57,708**	53,470
Tax at Hong Kong Profits Tax rate of 17.5%	**10,099**	9,357
Tax effect of share of results of an associate	**–**	508
Tax effect of expenses not deductible for tax purpose	**1,333**	1,798
Tax effect of income not taxable for tax purpose	**(283)**	(147)
Overprovision in respect of prior years	**(162)**	(192)
Tax effect of deferred tax assets not recognised	**21**	19
Tax effect of tax losses not recognised	**–**	82
Effect of tax relief granted to a subsidiary	**(3,394)**	(3,838)
Others	**(235)**	442
Taxation for the year	**7,379**	8,029

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

The emoluments paid or payable to each of the seven (2005: seven) directors were as follows:

	Cheung Wah Keung HK$'000	Ip Wai Cheong, Ernest HK$'000	Wang Dong HK$'000	Feng Tian HK$'000	Goh Gen Cheung HK$'000	Lai Ming, Joseph HK$'000	Lam King Sun, Frankie HK$'000	Total HK$'000
2006								
Fees	–	–	–	–	240	240	240	720
Other emoluments								
Salaries and other benefits	1,780	1,188	288	90	–	–	–	3,346
Bonus *(note)*	139	93	23	–	–	–	–	255
Retirement benefit scheme contributions	12	12	–	3	–	–	–	27
Share-based payments	–	106	–	–	–	–	–	106
	1,931	1,399	311	93	240	240	240	4,454

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors (Continued)

	Cheung Wah Keung	Ip Wai Cheong, Ernest	Wang Dong	Feng Tian	Goh Gen Cheung	Lai Ming, Joseph	Lam King Sun, Frankie	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005								
Fees	–	–	–	–	123	123	123	369
Other emoluments								
Salaries and other benefits	1,625	1,145	197	264	–	–	–	3,231
Bonus *(note)*	–	–	–	–	–	–	–	–
Retirement benefit scheme contributions	12	12	–	29	–	–	–	53
Share-based payments	–	1,919	–	–	–	–	–	1,919
	1,637	3,076	197	293	123	123	123	5,572

Note: The performance related incentive payment is determined by reference to the financial performance of the Group and the performance of the individual director for the two years ended 31st December, 2006 and 31st December, 2005 respectively.

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2005: two) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2005: three) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**2,337**	2,231
Bonus	**182**	–
Retirement benefits scheme contributions	**36**	33
	2,555	2,264

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees (Continued)

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
Nil to HK$1,000,000	2	3
HK$1,000,001 to HK$1,500,000	1	–

During both years, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

11. DIVIDENDS

	2006 *HK$'000*	2005 *HK$'000*
Dividend recognised as distribution during the year:		
Interim – HK1.5 cents per share (2005: HK2.5 cents)	4,551	7,500
Final – HK2.8 cents per share (2005: nil)	8,495	–
	13,046	7,500

The final dividend of HK3.8 cents (2005: HK2.8 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2006 *HK$'000*	2005 *HK$'000*
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	**50,329**	45,432

	2006 *'000*	2005 *'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**303,109**	259,932
Effect of dilutive potential ordinary shares:		
Share options	**285**	2,083
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**303,394**	262,015

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2005	4,200
Disposal	(4,200)
At 31st December, 2005 and 31st December, 2006	–

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvement HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2005	61,715	513	13,147	12,741	2,713	90,829
Additions	12,300	–	4,388	2,864	–	19,552
Disposals	(392)	–	(93)	–	–	(485)
At 31st December, 2005	73,623	513	17,442	15,605	2,713	109,896
Additions	12,369	91	3,570	1,090	–	17,120
Disposals	(760)	–	(689)	–	–	(1,449)
At 31st December, 2006	85,232	604	20,323	16,695	2,713	125,567
DEPRECIATION						
At 1st January, 2005	27,024	119	7,332	3,419	1,802	39,696
Provided for the year	7,636	157	2,707	2,650	224	13,374
Eliminated on disposals	(184)	–	(75)	–	–	(259)
At 31st December, 2005	34,476	276	9,964	6,069	2,026	52,811
Provided for the year	9,588	177	3,118	2,929	206	16,018
Eliminated on disposals	(511)	–	(535)	–	–	(1,046)
At 31st December, 2006	43,553	453	12,547	8,998	2,232	67,783
CARRYING VALUES						
At 31st December, 2006	41,679	151	7,776	7,697	481	57,784
At 31st December, 2005	39,147	237	7,478	9,536	687	57,085

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	10% – 20%
Moulds	$33^1/_3$%
Furniture, fixtures and office equipment	20% – 25%
Leasehold improvements	20%
Motor vehicles	20% – 25%

The carrying value of plant and machinery includes an amount of HK$972,000 (2005: HK$3,490,000) in respect of assets held under finance leases.

15. GOODWILL

	HK$'000
COST	
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	70
IMPAIRMENT	
At 1st January, 2005	–
Impairment loss recognised	70
At 31st December, 2005 and 31st December, 2006	70
CARRYING VALUES	
At 31st December, 2006 and 31st December, 2005	–

16. INVESTMENT IN AN ASSOCIATE

	2006 *HK$'000*	2005 *HK$'000*
Cost of investment in an unlisted associate	**–**	3,860
Share of post-acquisition profits and reserves	**–**	2,014
	–	5,874

As at 31st December, 2005, the Group had interest in the following associate:

Name of associate	Form of business structure	Place of registration	Proportion of nominal value of registered capital held indirectly by the Company	Proportion of voting power held	Principal activities
Guangzhou Prosonic-Guoguang Speaker System Co. Ltd. ("GZ Prosonic") 廣州普笙音箱廠有限公司	Sino-foreign equity joint venture	PRC	20%	20%	Manufacture of wooden speakers box, home theatre and audio related products

16. INVESTMENT IN AN ASSOCIATE (Continued)

The summarised financial information in respect of the Group's associate is set out below:

	2006	2005
	HK$'000	*HK$'000*
Total assets	–	59,827
Total liabilities	–	(30,459)
Net assets	–	29,368
Group's share of net assets of an associate	–	5,874
Turnover	–	150,464
Loss for the year	–	(14,503)
Group's share of results of an associate for the year	–	(2,900)

On 1st January, 2006, the Group disposed of its entire 20% interest in GZ Prosonic for a cash consideration of HK$1,930,000, resulting in a loss on disposal of HK$3,944,000.

17. CLUB MEMBERSHIP

The club membership represents entrance fees paid to golf clubs held on a long-term basis. It is considered by the management of the Group as having an indefinite useful life. It will not be amortised until the useful life is determined to be finite upon reassessment of the useful life annually by the management.

During the year ended 31st December, 2006, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount. The management of the Group determined that no impairment loss was charged for the current year.

18. INVENTORIES

	2006 HK$'000	2005 HK$'000
Raw materials	70,059	100,756
Work in progress	39,582	38,632
Finished goods	25,722	34,104
	135,363	173,492

19. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

The Group normally allows an average credit period of 30 days to 90 days (2005: 30 days to 75 days) to its trade customers, and may be further extended to selected customers depending on their trade volume and settlement with Group.

The following is an aged analysis of trade debtors at the balance sheet date:

	2006 HK$'000	2005 HK$'000
0 to 30 days	125,401	178,353
31 to 60 days	146,545	104,817
61 to 90 days	50,105	23,275
91 to 120 days	7,742	1,961
Over 120 days	13,019	5,458
	342,812	313,864
Deposits and prepayments	16,752	21,397
	359,564	335,261

20. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$1,161,000 (2005: HK$6,761,000) have been pledged to secure short-term bank borrowings and are therefore classified as current assets. The remaining deposits amounting to HK$3,291,000 (2005: HK$3,116,000) have been pledged to secure long-term borrowings and are therefore classified as non-current assets.

The deposits carry fixed interest rates ranging from 2.9% to 4.125% (2005: 1.1% to 1.8%) per annum. The pledged bank deposits will be released upon settlement of the relevant bank borrowings.

21. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at prevailing market interest rates which ranged from 2.1% to 3.1% (2005: 2.0% to 3.2%) per annum and certain short-term bank deposits carried fixed interest rates ranging from 2.35% to 3.4% (2005: 2.1% to 4.3%) per annum.

22. TRADE CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of the trade creditors at the respective balance sheet dates:

	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**73,677**	121,523
31 to 60 days	**82,680**	89,356
61 to 90 days	**68,145**	53,316
91 – 120 days	**48,190**	38,733
Over 120 days	**35,570**	26,380
	308,262	329,308
Accrued charges	**29,539**	24,954
	337,801	354,262

23. BILLS PAYABLE

The following is an aged analysis of the bills payable, with maturity date of 90 days (2005: 60 days), at the respective balance sheet dates:

	2006 *HK$'000*	2005 *HK$'000*
0 to 30 days	1,159	–
31 to 60 days	6,151	2,752
61 to 90 days	2,540	–
	9,850	2,752

24. AMOUNT DUE TO A RELATED COMPANY

The amount is due to Dongguan Guanman Acoustic Co. Ltd., a company in which Mr. Ip Wai Cheong, Ernest, a director and shareholder of the Company, has beneficial interest. The amount is of trading nature and is unsecured, interest free and repayable on demand.

The following is an aged analysis of the amount due to a related company at the respective balance sheet dates:

	2006 *HK$'000*	2005 *HK$'000*
0 to 30 days	11,326	10,231
31 to 60 days	3,141	5,948
	14,467	16,179

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases				
Within one year	**111**	1,388	**110**	1,345
In more than one year but not more than two years	**–**	109	**–**	108
	111	1,497	**110**	1,453
Less: future finance charges	**(1)**	(44)	**–**	–
Present value of lease obligations	**110**	1,453	**110**	1,453
Less: amount due for settlement within one year shown under current liabilities			**(110)**	(1,345)
Amount due for settlement after one year			**–**	108

The Group has leased certain of its plant and machinery under finance leases. The average lease term is 3 years (2005: 3 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.9% to 4.9% (2005: 1.9% to 4.9%) per annum. No arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

26. BANK BORROWINGS

	2006 HK$'000	2005 HK$'000
Bank loans	**43,447**	45,957
Secured	**34,447**	36,957
Unsecured	**9,000**	9,000
	43,447	45,957
The maturity profile of the bank borrowings is as follows:		
On demand or within one year	**38,241**	41,503
More than one year, but not exceeding two years	**3,539**	4,454
More than two years, but not exceeding five years	**1,667**	–
	43,447	45,957
Less: Amount due within one year shown under current liabilities	**(38,241)**	(41,503)
Amount due after one year	**5,206**	4,454

Bank borrowings comprise:

	Effective interest rate (Per annum)	Carrying amount 2006 HK$'000	Carrying amount 2005 HK$'000
Floating-rate borrowings:			
Secured HKD bank loan at HIBOR + 1.925%	7.675%	**–**	19,600
Secured HKD bank loan at cost of fund + 1.25%	5.29%	**15,000**	10,468
Secured HKD bank loan at Prime – 1%	6.75%	**4,447**	6,889
Secured HKD bank loan at HIBOR +1%	5.03125%	**10,000**	–
Secured HKD bank loan at HIBOR + 1%	5.09375%	**5,000**	–
Unsecured HKD bank loan at Prime – 2.9%	4.85%	**9,000**	9,000
		43,447	45,957

As at the balance sheet date, the Group has undrawn borrowing facilities of HK$52,553,000 (2005: HK$9,043,000).

27. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
On incorporation	38,000,000	380
Increase on 25th June, 2005	462,000,000	4,620
At 31st December, 2005 and 31st December, 2006	500,000,000	5,000
Issued and fully paid:		
Allotted and issued at nil paid on 7th February, 2005	1	–
Issue of shares upon the Group Reorganisation	4,999,999	50
Allotted and issued at par on 17th May, 2005	49,995	–
Issue of shares at premium	867,968	9
Issue of shares on capitalisation of share premium account	219,082,037	2,191
Issue of shares upon the placing and public offer	75,000,000	750
At 31st December, 2005	300,000,000	3,000
Exercise of share options	3,397,500	34
At 31st December, 2006	303,397,500	3,034

The following changes in the share capital of the Company took place during the period from 26th January, 2005 (date of incorporation) to 31st December, 2006:

(a) The Company was incorporated on 26th January, 2005 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On 7th February, 2005, one share was allotted and issued at nil paid which was subsequently settled and credited to share capital.

(b) As consideration for the acquisition of the entire issued share capital of Shinhint Industries Limited and its subsidiaries, the Company has issued an aggregate of 4,999,999 shares of HK$0.01 each, credited as fully paid under the Group Reorganisation which took place on 11th May, 2005. The difference between the nominal value of the entire issued share capital of Shinhint Industries Limited and the aggregate nominal value of the shares issued has been credited to special reserve.

(c) On 17th May, 2005, 49,995 shares of HK$0.01 each were allotted and issued to a director, Mr. Ip Wai Cheong, Ernest, at par.

27. SHARE CAPITAL OF THE COMPANY (Continued)

(d) Pursuant to the subscription agreements and the supplemental agreements, 747,828 shares of HK$0.01 each and 120,140 shares of HK$0.01 each were allotted and issued on 17th May, 2005 and 25th June, 2005 respectively to certain investors, for a total consideration of HK$23,400,000.

(e) On 25th June, 2005, the authorised share capital of the Company was increased from HK$380,000 to HK$5,000,000 by the creation of an additional 462,000,000 new shares of HK$0.01 each. The new shares rank pari passu in all respects with the existing shares.

(f) Conditional on the share premium amount being credited as a result of placing and public offer, 219,082,037 shares of HK$0.01 each in the Company were allotted and issued as fully paid to the shareholders of the Company whose names appeared on the register of members at the close of business on 25th June, 2005 in proportion to their respective shareholdings by the capitalisation of an amount of HK$2,191,000 standing to the credit of the share premium account of the Company.

(g) On 14th July, 2005, 75,000,000 new ordinary shares of the Company of HK$0.01 each were issued at HK$0.8 per share for cash through an initial public offering by way of placing and public offer.

(h) On 1st February, 2006, 3,397,500 new ordinary shares of the Company of HK$0.01 each were issued upon exercise of share options granted to a director of the Company.

The share capital at 1st January, 2005 represented 5,000,000 shares of HK$1 each in the share capital of Shinhint Industries Limited prior to the Group Reorganization.

28. SHARE OPTION SCHEME

Equity-settled share options scheme

(a) Pursuant to the service agreement between the Company and a director of the Company dated 11th May, 2005, an option to subscribe for 3,397,500 shares in the Company at an exercise price equals to par value of HK$0.01 per share (the "Pre-IPO Share Option") was granted to the director. The Pre-IPO Share Option, which serves as an incentive for the director who has substantial management and manufacturing experience in the production of audio speaker system and car speaker system, shall be exercised during the period from 14th January, 2006 to 31st December, 2007 and shall not be transferable.

28. SHARE OPTION SCHEME (Continued)

Equity-settled share options scheme (Continued)

(a) (Continued)

Details of the share options granted under the Pre-IPO Share Option as at 11th May, 2005 to subscribe for the shares in the Company are as follows:

Granted to	Date of grant	Vesting period	Exercisable period (both dates inclusive)	Exercise price HK$	Outstanding at 1st January, 2005	Granted during the year	Outstanding at 1st January, 2006	Exercised during the year	Outstanding at 31st December, 2006
Director	11.5.2005	11.5.2005-13.1.2006	14.1.2006-31.12.2007	0.01	–	3,397,500	3,397,500	(3,397,500)	–
Exercisable at the end of the year									–

In respect of the share option exercised during the year, the weighed average share price at the date of exercise is HK86 cents.

The estimated fair value of the Pre-IPO Share Option at the date of grant is HK$2,025,000.

The fair value was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2005
Weighted average share price	HK$0.70
Exercise price	HK$0.01
Expected volatility	26.1%
Expected life	0.5 year
Risk-free rate	3.8%
Expected dividend yield	10%

Expected volatility was determined with reference to the volatility of share price for other companies, with shares listed on the SEHK, in the same industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$106,000 for the year ended 31st December, 2006 (2005: HK$1,919,000) in relation to share options granted by the Company.

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

28. SHARE OPTION SCHEME (Continued)

Equity-settled share options scheme (Continued)

(b) The Company's share option scheme adopted by the shareholders pursuant to a resolution passed on 25th June, 2005 (the "Scheme") is for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 13th July, 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, or any persons who have contributed or will contribute to the Group, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant, upon payment of the consideration specified in the option agreement. An option may be exercised in accordance with the terms of the Scheme at any time during the effective period of the Scheme to be notified by the board of directors which shall not be later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's share on the date of grant, the average closing price of the share on the SEHK for the five business days immediately preceding the date of grant, and the nominal value.

During the year ended 31st December, 2006, no options have been granted under the Scheme.

29. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current and the prior years:

	Accelerated tax depreciation
	HK$'000
At 1st January, 2005	2,981
Charge to consolidated income statement for the year	620
At 31st December, 2005	3,601
Credit to consolidated income statement for the year	(458)
At 31st December, 2006	3,143

At the balance sheet date, the Group had deductible temporary differences of HK$326,000 (2005: HK$209,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

30. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	713	94
In the second to fifth years inclusive	581	–
	1,294	94

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of one to three years and rentals are fixed throughout the lease term.

31. CAPITAL COMMITMENTS

	2006 HK$'000	2005 HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**2,028**	2,797

32. EMPLOYEE RETIREMENT BENEFITS

Prior to 1st December, 2000, the Group operated a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance ("ORSO Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there were employees who left the ORSO Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1st December, 2000, the Group joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The obligation of the Group with respect to MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in future years.

Employees who were members of the ORSO Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

Employees of the subsidiaries in the PRC are members of pension schemes operated by PRC local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

The total cost charged to income of HK$1,388,000 (2005: HK$1,578,000) represents contributions payable to these schemes by the Group. At the balance sheet date, there was no forfeited contributions available to reduce future contributions in both years.

33. RELATED PARTY TRANSACTIONS

Apart from the current account with a related company as stated in note 24 above, the Group entered into the following transactions with a related company during the year:

Name of related company	Nature of transactions	2006	2005
		HK$'000	*HK$'000*
Dongguan Guanman Acoustic Co. Ltd.	Trade purchases	72,982	87,483
	Trade sales	882	–

Dongguan Guanman Acoustic Co. Ltd. is a company in which Mr. Ip Wai Cheong, Ernest, a director and shareholder of the Company, has beneficial interest.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	7,101	6,948
Bonus	546	–
Retirement benefit schemes contributions	99	132
Share-based payment	106	1,919
	7,852	8,999

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. SUMMARISED BALANCE SHEET OF THE COMPANY

	2006	2005
	HK$'000	*HK$'000*
Investment in a subsidiary	**–**	–
Amount due from a subsidiary	**178,307**	156,405
Dividend receivable	**20,000**	17,500
Bank balances and cash	**873**	20,599
Other current assets	**244**	238
Amount due to a subsidiary	**–**	(250)
Other current liabilities	**(641)**	(464)
	198,783	194,028
Share capital	**3,034**	3,000
Reserves *(note)*	**195,749**	191,028
	198,783	194,028

Note:

The Company's reserves available for distribution to shareholders are as follows:

	Share premium	Special reserve	Share option reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY					
On incorporation	–	–	–	–	–
Profit for the year	–	–	–	16,667	16,667
Issue of shares at premium	82,641	107,647	–	–	190,288
Issue of shares on capitalisation of share premium account	(2,191)	–	–	–	(2,191)
Recognition of equity-settled share based payment	–	–	1,919	–	1,919
Transaction cost attributable to issue of new shares	(8,155)	–	–	–	(8,155)
Interim dividend declared in respect of 2005	–	–	–	(7,500)	(7,500)
At 31st December, 2005	72,295	107,647	1,919	9,167	191,028
Profit for the year	–	–	–	17,661	17,661
Exercise of share options	2,025	–	(2,025)	–	–
Recognition of equity-settled share based payment	–	–	106	–	106
Final dividend paid in respect of 2005	–	–	–	(8,495)	(8,495)
Interim dividend declared in respect of 2006	–	–	–	(4,551)	(4,551)
At 31st December, 2006	74,320	107,647	–	13,782	195,749

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31st December, 2006 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation or establishment/ operations	Paid up issued ordinary share capital/ registered capital	Proportion of interest held by the Company *(Note 1)*	Principal activities
Shinhint Industries Limited	Incorporated	Hong Kong	HK$5,000,000	100%	Investment holding and trading of components of electronic appliances
Tai Sing Industrial Company Limited	Incorporated	Hong Kong/ PRC	US$1	100%	Manufacturing of moulds, headphones and speakers related components
A-Kei Cable Limited	Incorporated	Hong Kong	HK$10,000	100%	Manufacturing of cable products for electronic appliances, became inactive during the year
Crown Million Industries (International) Limited	Incorporated	Hong Kong/ PRC	HK$10,000	100%	Investment holding and trading of home theatre and automobiles speakers system
Shinhint Industrial Holdings Limited ("Shinhint Industrial")	Incorporated	BVI	US$1	100%	Investment holding
Dongguan Shinhint Audio Technology Limited 東莞成謙音響科技有限公司	Wholly foreign-owned enterprise	PRC	HK$1,500,000	100%	Net yet commence business

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Note:

1. Other than Shinhint Industrial, all other subsidiaries are indirectly held by the Company.

None of the subsidiary had any debt securities subsisting at 31st December, 2006 or at any time during the year.

36. POST BALANCE SHEET EVENT

On 27th March, 2007, Pro Partner Developments Limited ("Pro Partner"), the controlling shareholder of the Company entered into a legally binding arrangement with China Development Capital Partnership Master Fund LP and General Motors Investment Management Corporation (collectively known as the "Purchasers"), under which Pro Partner agreed to place 27,120,064 ordinary shares of HK$0.01 each of the Company (the "Placing") at a price of HK$0.75 per share to the Purchasers. The Placing was subject to, amongst others, Pro Partner to be allotted the same amount of new shares as the Placing shares placed under the Placing (the "Top-Up Subscription"). The Placing was completed on 28th March, 2007 and the Top-Up Subscription was completed on 10th April 2007. The net proceed from the Top-Up Subscription (the price per share being HK$0.7477 reflecting the netting effects of associated transaction costs) received by the Company amounted to HK$19.99 million, which will be used by the Company for its general working capital requirements. Simultaneous with the above, a minority shareholder of the Company informed the Company that it had agreed to sell and the Purchasers had agreed to acquire 14,479,936 ordinary shares of HK$0.01 each of the Company owned by the minority shareholder at a price of HK$0.75 per share, conditional on the completion of the Placing. The transaction took place on 28th March, 2007, simultaneously with the Placing.

After the above transactions, each of the Purchasers is interested in 20,800,000 ordinary shares of HK$0.01 each of the Company, representing approximately 6.29% of the Company's total issued share capital as enlarged by the Top-Up Subscription.