



**Shinhint Acoustic Link Holdings Limited**  
**成謙聲匯控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2728)

Interim Report  
**2007**

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Mr. Cheung Wah Keung  
(Chairman of the Board)  
Mr. Ip Wai Cheong, Ernest  
Mr. Wang Dong

#### *Independent Non-Executive Directors*

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

### Audit Committee

Mr. Lai Ming, Joseph  
(Chairman of the Committee)  
Dr. Lam King Sun, Frankie  
Mr. Goh Gen Cheung

### Remuneration Committee

Dr. Lam King Sun, Frankie  
(Chairman of the Committee)  
Mr. Lai Ming, Joseph  
Mr. Goh Gen Cheung  
Mr. Cheung Wah Keung

### Authorized Representatives

Mr. Cheung Wah Keung  
Mr. Ip Wai Cheong, Ernest

### Qualified Accountant

Ms. Yu Pik Yuk

### Company Secretary

Ms. Yu Pik Yuk

### Auditors

Deloitte Touche Tohmatsu

### Registered Office

Cricket Square,  
Hutchins Drive, P.O. Box 2681,  
Grand Cayman KY1-1111,  
Cayman Islands

### Head Office

Unit 1506, 15th Floor, Nanyang Plaza,  
57 Hung To Road,  
Kwun Tong, Hong Kong

### Principal Place of Business in Hong Kong

Unit 1506, 15th Floor, Nanyang Plaza,  
57 Hung To Road,  
Kwun Tong, Hong Kong

### Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited  
Butterfield House, 68 Fort Street,  
P.O. Box 705,  
Grand Cayman KY1-1107,  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716,  
17th Floor, Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong

### Principal Bankers

DBS Bank (Hong Kong) Limited  
The Bank of East Asia, Limited

### Legal Advisers

Conyers Dill & Pearman, Cayman

### Stock Code

2728 (listed on the Main Board of  
The Stock Exchange of Hong Kong Limited)

### Website

[www.shinhint.com](http://www.shinhint.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30th June, 2007, Shinhint Acoustic Link Holdings Limited (the “Company”) and its subsidiaries (the “Group”) reported a turnover of HK\$474,049,000, representing an increase of 1.9% against the corresponding period of last year. The slight rise in turnover is expected to be bolstered further as many new projects under development are launched in the second half of the year.

The Group’s gross profit rose by a respectable 11.6% to HK\$60,525,000, up from HK\$54,245,000 year on year. This encouraging result was contributed from efforts at enhancing efficiency, which included integration of an ERP system and Cellular Manufacturing process. A further means of raising gross profit has been the Group’s successful campaign at improving and enhancing the profile of its product mix. Nevertheless, the overall business environment can be characterized as challenging, impacting on all industry players including the Group.

With regards to net profit, the Group achieved remarkable year on year growth of 54.3% to HK\$12,145,000 from HK\$7,872,000 recorded in the last corresponding period. This was due to the factors of improved gross profit margin, greater efficiency and the benefit of disposal of interest in an associate in the corresponding period of last year, thus clearing its books of the one-time, non-recurring loss incurred from exiting the joint venture.

With demand for portable digital players and related peripherals remaining robust, the Multimedia Products (“MM”) segment achieved a significant 19.4% rise in turnover to HK\$244,539,000 or 51.6% of total turnover. Such favorable growth was due to increase shipments of iPod and personal computer related peripherals – consistent with the global trend. Communication Products (“CP”) saw steady growth, achieving a decent gain of 8.0% in turnover, to HK\$65,433,000 in monetary terms, or 13.8% of total revenue. In part, this was due to the increasing popularity of mobile phones, internet telephony and wireless communication tools, which extended to associated products. Meanwhile, shipments of Entertainment Products (“EP”), saw a decline of 22.9% year on year, recording a turnover of HK\$113,375,000, accounting for 23.9% of the Group’s total turnover. During the review period, this segment underwent a consolidation phase though orders have subsequently stabilized. As the Group continued to manufacture Audio Products (“AP”) on a highly selective basis, this was expectedly reflected by a gradual falling-off in shipments for this product segment.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BUSINESS REVIEW *(Continued)*

Apart from the above mentioned segments, the Group actively explored new market opportunities for its technologies, including acoustic solutions for automobiles, flat panel displays such as LCD TVs and computer monitors, as well as other electronic gadgets. In each case, design and form holds particular significance, often presenting tight parameters that only sophisticated acoustic solutions can complement. In alliance with New Transducers Limited – renowned for flat panel speakers – the Group has jointly developed speaker systems using Balance Radiator (“BR”) technology, duly gaining market recognition as an innovative acoustic solution that has valuable applications in the industry. Fittingly, as a means of managing present and future demand for acoustic solutions, a new factory in ChangAn Town, Dongguan, has been onlined as of May 2007.

### PROSPECTS

The Group is confident about its key business segments as demand continues to be solid on several fronts. The personal computer industry, for one, provides favorable prospects as a large group of consumers have sought to upgrade their computers in order to run the latest operating system, i.e. Windows Vista. This will drive demand for enhanced entertainment peripherals and multi-functional devices to process various entertainment requirements, hence directly benefiting the Group.

Tapping into the latest opportunities, the Group has begun to develop accessories specifically for a popular multi-media and internet-enabled mobile phone and this should have highly positive ramifications for the MM segment. Opening new horizons for the Group’s EP business, migration to a more high-end market will be pursued, thus appealing to the interest of consumers with greater purchasing power.

Raising expectations for the CP business, the Group has reached a new agreement with a European top-tier customer for the provision of wireless and corded headsets, with shipments expected to start in 2008. Also, drawing considerable optimism for this segment is the ongoing enforcement of legislation requiring motorists to adopt hands-free devices such as Bluetooth wireless headsets, both in the United States and EU, the former encompassing around 40 states while the latter covering over 20 countries. Accordingly, this trend is expected to spur greater business growth.

For the development of BR patented speakers, the Group was awarded with a complete acoustic solution order from a renowned television manufacturer, and shipments are expected to commence by the end of 2007. Still other BR technology-based speaker projects under development include portable devices and multi-media applications which are proceeding well within the Group’s prescribed time frame, and are expected to become growth drivers upon their launch.

To generate still greater momentum, the Group will seek to further strengthen its competence all around, having already recruited professionals to augment its product development team and acoustic engineering operations.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS *(Continued)*

For mitigating the negative effects of Renminbi appreciation, increasing labor costs, and shortage in skilled labor, the Group will continue to concentrate on achieving greater efficiency and controlling operating costs, having already utilized automated loading docks, thereby cutting down on labor-intensive processes. The subsequent implementation of Cellular Manufacturing process in further phases, conducted in April and May 2007, has also advanced the Group's drive for efficiency. Enhancing ERP system will likewise boost such efforts, enabling better management and integration of the Group's various processes.

By maintaining sufficient cash on hand to finance new business ventures, explore sales opportunities in the PRC, and actively study prospects for mergers and acquisitions, these initiatives will also go towards facilitating the Group's long-term progress.

### FINANCIAL REVIEW

#### Liquidity and Financial Resources

The Group's working capital continued to improve. Net current assets were at HK\$222,931,000 (31st December 2006: HK\$208,683,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.9 as compared to 1.5 at last year end.

As at 30th June, 2007, the Group maintained a healthy cash level with cash and cash equivalents of HK\$150,001,000 (31st December, 2006: HK\$117,013,000) and unutilized banking facilities of HK\$73,152,000 (31st December, 2006: HK\$52,553,000). The Group had bank borrowings of HK\$16,324,000 (31st December, 2006: HK\$43,447,000) which represented a decrease of HK\$27,123,000 over last year end.

The gearing ratio of the Group decreased to 5.8% from 16.6% as at 31st December, 2006. The ratio is computed by dividing total borrowings of HK\$16,324,000 (2006: HK\$43,447,000) by shareholders' equity of HK\$282,161,000 (2006: HK\$262,387,000).

It is the policy of the Group to adopt a prudent financial management strategy and maintain a high level of liquidity and banking facilities to meet the funding requirement of the Group's operations and investment opportunity.

#### Treasury Policies

The Group does not engage in any highly leveraged or speculative derivative products. Since the Group's sales and raw material purchases are conducted in US dollars and Hong Kong dollars, the board of directors (the "Board") believes that the Group will have sufficient foreign exchange reserves to match necessary requirements. Although part of manufacturing overhead is denominated in Renminbi, the Group's exposure to risk associated with its exchange is not significant. Still, the Group will closely monitor the movement of the Renminbi exchange rate. During the six months period ended 30th June, 2007, the Group did not use any financial instruments for the purpose of hedging.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### Contingent Liabilities

As at 30th June, 2007, the Group had no material contingent liabilities.

#### Pledges on the Group's Assets

As at 30th June, 2007, bank deposits of the Group in the aggregate amount of HK\$7,554,000 (31st December, 2006: HK\$4,452,000) had been pledged to secure the Group's banking facilities. Except for the above charges, all of the Group's assets are free from any encumbrances.

#### Human Resources

As at 30th June, 2007, the Group employed a total of approximately 5,200 employees (30th June, 2006: 4,100) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$45,985,000 (30th June, 2006: HK\$34,907,000). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration package and bonuses to eligible staff, based on the performance of the Group and the individual employee.

#### INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.6 cents per share for the six months ended 30th June, 2007 (2006 interim dividend: HK1.5 cents). The interim dividend will be paid to shareholders whose names appear on the Register of Members of the Company at the close of business on 5th October, 2007. It is expected that the interim dividend will be paid on or about 18th October, 2007.

#### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 3rd October, 2007 to Friday, 5th October, 2007 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, 2nd October, 2007.

By order of the Board

**Cheung Wah Keung**

*Chairman and Chief Executive Officer*

Hong Kong  
14th September, 2007

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended 30th June, 2007, applied and complied with the principles in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviation from CG Code provision A.2.1, which stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the six months ended 30th June, 2007, Mr. Cheung Wah Keung is the Chairman, the Chief Executive Officer and an Executive Director of the Company. The Board considers that, given the Group's current stage of development, vesting the roles of Chairman and Chief Executive Officer in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board considers that further separation of the roles of Chairman and Chief Executive Officer is not necessary for the time being. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. On specific enquiry made, all the directors of the Company have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2007.

### AUDIT COMMITTEE

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Lai Ming, Joseph, Dr. Lam King Sun, Frankie and Mr. Goh Gen Cheung. It is chaired by Mr. Lai Ming, Joseph, who has the appropriate professional accounting qualification and financial management expertise.

The interim results of the Group for the six months ended 30th June, 2007 have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2007.

## CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

### PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the period.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2007, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares held<sup>(1)</sup></b>	<b>Approximate percentage of the issued shares</b>
Mr. Cheung Wah Keung	Interest in a controlled corporation <sup>(2)</sup>	152,655,473	46.19%
Mr. Ip Wai Cheong, Ernest	Beneficial owner	4,698,302	1.42%

Notes:

1. Interests in shares stated above represent long positions.
2. 152,655,473 shares were held by Pro Partner Developments Limited ("Pro Partner"), a company wholly owned by Mr. Cheung Wah Keung.

Save as disclosed above, as at 30th June, 2007, none of the directors and the chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

### 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 may be granted 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.

No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme during the six months ended 30th June, 2007.

No share option granted under the Share Option Scheme was outstanding as at 1st January, 2007 and 30th June, 2007 respectively.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2007, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a director or chief executive of the Company) had interests in 5% or more in the shares or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of shares held <sup>(1)</sup>	Approximate percentage of the issued shares
Pro Partner <sup>(2)</sup>	Beneficial owner	152,655,473	46.19%
Martin Currie Investment Management Limited <sup>(3)</sup>	Investment adviser	21,800,000	6.60%
China Development Capital Partnership <sup>(3)</sup>	Beneficial owner	20,800,000	6.29%
Martin Currie Inc. <sup>(4)</sup>	Investment adviser	20,800,000	6.29%
GM Martin Currie GC & PIPEs <sup>(4)</sup>	Beneficial owner	20,800,000	6.29%

Notes:

- Interests in shares stated above represent long positions.
- 152,655,473 shares were held by Pro Partner, a company wholly owned by Mr. Cheung Wah Keung. These shares have been included in the interest disclosure of Mr. Cheung Wah Keung as set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION** *(Continued)*

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS** *(Continued)*

3. Martin Currie Investment Management Limited in its capacity as investment adviser is deemed to be interested in the shares held by China Development Capital Partnership.
4. Martin Currie Inc. in its capacity as investment adviser is deemed to be interested in the shares held by GM Martin Currie GC & PIPEs.

Save as disclosed above, as at 30th June, 2007, no other person (other than a director or chief executive of the Company) had registered an interest or short position in the shares, underlying shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

# 德勤

**TO THE BOARD OF DIRECTORS OF SHINHINT ACOUSTIC LINK HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 26 which comprises the condensed consolidated balance sheet of Shinhint Acoustic Link Holdings Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION** *(Continued)*

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

14th September, 2007

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

		Six months ended 30th June,	
	NOTES	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue	3	474,049	465,349
Cost of sales		(413,524)	(411,104)
Gross profit		60,525	54,245
Other income		1,085	1,464
Selling and distribution costs		(9,761)	(8,679)
Administrative expenses		(36,299)	(32,596)
Loss on disposal of an associate		–	(3,944)
Finance costs		(1,038)	(1,506)
Profit before taxation	5	14,512	8,984
Income tax expense	6	(2,367)	(1,112)
Profit for the period		12,145	7,872
Dividend paid	7	12,560	8,495
Earnings per share	8	<i>HK cents</i>	<i>HK cents</i>
– Basic		3.85	2.60
– Diluted		N/A	2.59

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	NOTES	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	61,609	57,784
Club membership		978	978
Pledged bank deposits		3,342	3,291
		<b>65,929</b>	62,053
<b>Current assets</b>			
Inventories		143,769	135,363
Trade debtors, deposits and prepayments	10	183,881	359,564
Pledged bank deposits		4,212	1,161
Bank balances and cash		150,001	117,013
		<b>481,863</b>	613,101
<b>Current liabilities</b>			
Trade creditors and accrued charges	11	238,627	337,801
Bills payable	12	1,848	9,850
Amount due to a related company	13	622	14,467
Tax liabilities		4,000	3,949
Obligations under finance leases			
– due within one year		483	110
Bank borrowings – due within one year	14	13,352	38,241
		<b>258,932</b>	404,418
<b>Net current assets</b>		<b>222,931</b>	208,683
<b>Total assets less current liabilities</b>		<b>288,860</b>	270,736

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 30th June, 2007

	NOTES	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital	15	3,305	3,034
Reserves		278,856	259,353
		<b>282,161</b>	262,387
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year		824	–
Bank borrowings – due after one year	14	2,972	5,206
Deferred tax liabilities		2,903	3,143
		<b>6,699</b>	8,349
		<b>288,860</b>	270,736

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2006 (audited)	3,000	72,295	4,950	295	1,919	142,350	224,809
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	31	-	-	31
Profit for the period	-	-	-	-	-	7,872	7,872
Total recognised income for the period	-	-	-	31	-	7,872	7,903
Recognition of equity-settled share based payment	-	-	-	-	106	-	106
Exercise of share options	34	2,025	-	-	(2,025)	-	34
Dividend paid	-	-	-	-	-	(8,495)	(8,495)
At 30th June, 2006 (unaudited)	3,034	74,320	4,950	326	-	141,727	224,357
At 1st January, 2007 (audited)	3,034	74,320	4,950	450	-	179,633	262,387
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	143	-	-	143
Profit for the period	-	-	-	-	-	12,145	12,145
Total recognised income for the period	-	-	-	143	-	12,145	12,288
Placement of new shares	271	20,007	-	-	-	-	20,278
Expenses incurred in relation to the placement of new shares	-	(232)	-	-	-	-	(232)
Dividend paid	-	-	-	-	-	(12,560)	(12,560)
At 30th June, 2007 (unaudited)	3,305	94,095	4,950	593	-	179,218	282,161

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	Six months ended 30th June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
<b>Net cash from operating activities</b>	<b>66,275</b>	12,822
<b>Investing activities</b>		
Purchase of property, plant and equipment	(10,249)	(7,419)
Proceeds on disposal of property, plant and equipment	51	13
Proceeds on disposal of an associate	–	1,930
(Increase) decrease in pledged bank deposits	(3,102)	4,952
Interest received	875	1,032
<b>Net cash (used in) from investing activities</b>	<b>(12,425)</b>	508
<b>Financing activities</b>		
Dividend paid	(12,560)	(8,495)
Repayment of bank loans	(27,123)	(61,764)
Interest paid	(1,038)	(1,506)
Repayment of obligations under finance leases	(303)	(1,130)
Issue of ordinary shares	20,278	34
Expenses incurred in connection with the issue of ordinary shares	(232)	–
New bank loans raised	–	53,416
<b>Net cash used in financing activities</b>	<b>(20,978)</b>	(19,445)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>32,872</b>	(6,115)
<b>Cash and cash equivalents at beginning of the period</b>	<b>117,013</b>	71,736
<b>Effect of foreign exchange rate changes</b>	<b>116</b>	32
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>150,001</b>	65,653

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006.

In the current period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>4</sup>
HK(IFRIC) – INT 10	Interim financial reporting and impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006.

The adoption of these new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact of these new or revised standards or interpretations and so far anticipate that the application of these new or revised standards or interpretations will have no material financial impact on the results and the financial position of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>3</sup>

<sup>1</sup> Effective annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective annual periods beginning on or after 1st March, 2007.

<sup>3</sup> Effective annual periods beginning on or after 1st January, 2008.

### 3. REVENUE

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

### 4. SEGMENTAL INFORMATION

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.

The Group's revenue and profit for the six months ended 30th June, 2007 and 30th June, 2006 by business segment are as follows:

	Communication products HK\$'000	Multi-media products HK\$'000	Entertainment products HK\$'000	Audio products HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30th June, 2007</b>						
REVENUE						
External sales	65,433	244,539	113,375	6,125	44,577	474,049
RESULT						
Segment result	5,327	6,202	4,235	175	498	16,437
Unallocated other income						1,085
Unallocated corporate expenses						(1,972)
Finance costs						(1,038)
Profit before taxation						14,512
Income tax expense						(2,367)
Profit for the period						12,145

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

### 4. SEGMENTAL INFORMATION (Continued)

	Communication products HK\$'000	Multi-media products HK\$'000	Entertainment products HK\$'000	Audio products HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th June, 2006						
<b>REVENUE</b>						
External sales	60,580	204,769	147,104	12,926	39,970	465,349
<b>RESULT</b>						
Segment result	4,803	5,582	4,685	1,303	(677)	15,696
Unallocated other income						1,180
Unallocated corporate expenses						(2,442)
Loss on disposal of an associate						(3,944)
Finance costs						(1,506)
Profit before taxation						8,984
Income tax expense						(1,112)
Profit for the period						7,872

### 5. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	7,747	7,646
Loss on disposal of property, plant and equipment	153	7
Write down of inventories	1,109	184
Interest income	(875)	(1,032)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

### 6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Income tax for the period		
Hong Kong	2,607	1,601
Overprovision in prior years		
Hong Kong	–	(435)
Deferred tax for the period	2,607 (240)	1,166 (54)
	<b>2,367</b>	<b>1,112</b>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods.

Deferred tax has been provided for temporary differences arising from accelerated tax depreciation in respect of property, plant and equipment in both periods.

### 7. DIVIDEND PAID

During the period ended 30th June, 2007, a dividend of HK\$0.038 per share (six months ended 30th June, 2006: HK\$0.028) was declared to shareholders as the final dividend for 2006.

The directors have determined that an interim dividend of HK\$0.016 per share (six months ended 30th June, 2006: HK\$0.015 per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 5th October, 2007.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

### 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Six months ended 30th June,</b>	
	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<b>12,145</b>	7,872
	<b>30th June, 2007</b> <i>Number of shares</i>	30th June, 2006 <i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>315,683,938</b>	302,815,608
Effect of dilutive potential ordinary shares: Share options		574,987
Weighted average number of ordinary shares for the purposes of diluted earnings per share		303,390,595

No diluted earnings per share is presented for the current period because there is no potential ordinary shares outstanding throughout the period.

### 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$11,749,000 (six months ended 30th June, 2006: HK\$7,419,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

### 10. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

The Group normally allows an average credit period of 30 – 90 days to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group.

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

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
0 to 30 days	<b>87,130</b>	125,401
31 to 60 days	<b>63,325</b>	146,545
61 to 90 days	<b>8,309</b>	50,105
91 to 120 days	<b>419</b>	7,742
Over 120 days	<b>4,903</b>	13,019
	<b>164,086</b>	342,812
Deposits and prepayments	<b>19,795</b>	16,752
	<b>183,881</b>	359,564

### 11. TRADE CREDITORS AND ACCRUED CHARGES

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

	<b>30th June, 2007 HK\$'000</b>	31st December, 2006 HK\$'000
0 to 30 days	<b>79,608</b>	73,677
31 to 60 days	<b>42,596</b>	82,680
61 to 90 days	<b>44,938</b>	68,145
91 to 120 days	<b>27,669</b>	48,190
Over 120 days	<b>9,184</b>	35,570
	<b>203,995</b>	308,262
Accrued charges	<b>34,632</b>	29,539
	<b>238,627</b>	337,801

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

### 12. BILLS PAYABLE

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

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
0 to 30 days	1,848	1,159
31 to 60 days	–	6,151
61 to 90 days	–	2,540
	<b>1,848</b>	<b>9,850</b>

### 13. AMOUNT DUE TO A RELATED COMPANY

The amount is owed to Dongguan Guanman Acoustic Co. Ltd., a company in which Mr. Ip Wai Cheong, Ernest, a director and shareholder of the Company, has a beneficial interest. The amount is trading in nature, 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:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
0 to 30 days	622	11,326
31 to 60 days	–	3,141
	<b>622</b>	<b>14,467</b>

### 14. BANK BORROWINGS

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
The maturity of the bank borrowings is as follows:		
Within one year	13,352	38,241
In the second year	2,139	3,539
In the third to fifth years inclusive	833	1,667
	<b>16,324</b>	<b>43,447</b>
Less: Amount due within one year shown under current liabilities	<b>(13,352)</b>	<b>(38,241)</b>
Amount due after one year	<b>2,972</b>	<b>5,206</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

### 15. SHARE CAPITAL

	<b>Number of shares</b>	<b>HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31st December, 2006 and 30th June, 2007	<b>500,000,000</b>	5,000
<b>Issued and fully paid:</b>		
Ordinary shares		
At 1st January, 2007	<b>303,397,500</b>	3,034
Placement of new shares (Note)	<b>27,120,064</b>	271
At 30th June, 2007	<b>330,517,564</b>	3,305

Note: 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 approximately HK\$20 million, which will be used by the Company for its general working capital requirements. All the new shares issued rank *pari passu* in all respects with the then existing shares.

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.

### 16. CAPITAL COMMITMENTS

At 30th June, 2007, the Group had commitments for capital expenditure of approximately HK\$4,643,000 (31st December, 2006: HK\$2,028,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the six months ended 30th June, 2007

### 17. PLEDGE OF ASSETS

At 30th June, 2007, bank deposits amounting to HK\$7,554,000 (31st December, 2006: HK\$4,452,000) of the Group were pledged to secure certain banking facilities granted to the Group.

### 18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

Name of related company	Relationship	Nature of transactions	Six months ended 30th June,	
			2007 HK\$'000	2006 HK\$'000
Dongguan Guanman Acoustic Co. Ltd.	Controlled by a director	Trade purchases	35,058	30,581
		Trade sales	369	–
		Purchase of property, plant and equipment	842	–
Directors and key management		Remuneration	4,353	3,589

The amount due to a related party is set out in the condensed consolidated balance sheet and note 13.