ANNUAL REPORT **2007**

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)

Contents

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. Cheng Ching Man

Company Secretary

Ms. Lau Mun Yee

Auditor

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

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

Legal Adviser

Conyers Dill & Pearman, Cayman

Stock Code

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

Website

www.shinhint.com

Chairman's Statement

Cheung Wah Keung
Chairman of the Board

Dear Shareholders,

On behalf of the board of directors (the "Board") of Shinhint Acoustic Link Holdings Limited (the "Company"), I am pleased to present to you the audited annual results for the year ended 31st December, 2007 of the Company and its subsidiaries (the "Group").

2007 was a year which presented many challenges and opportunities for the Group. Ever evolving, the industry's unrelenting pace of change represents stern tests. Having said that, the ongoing ability to identify major market trends; develop new technologies to satisfy future needs of customers; and turn technologies into viable products manufactured for the mass market, have been our Group's most distinguished and cherished strengths. Such pillars have proven paramount for allowing us to succeed and, time and again, rise to each new test.

The conclusion of the latest financial year certainly underscores the value of our Group's attributes as revenue and profit rose by 16.2% and 15.0% respectively; this despite operating in an environment that grows more difficult with each passing year. Our track record of early entry into developing segments which subsequently become important growth markets undoubtedly lies at the root of our success. The advent of personal digital devices, wireless connectivity, and digital transmission are just some of the technologies we recognized early on as significant opportunities, and now constitute key areas that our electro-acoustic products cater for.

To remain at the foreground of emerging technologies, we have established a R&D team comprising of talents from around the world; all dedicated to examining rising trends and the best course of action for capitalizing on such developments. Even though others may recognize fresh opportunities, our capacity to research and develop cutting-edge, patented products, as well as ally with industry leaders to co-develop new technologies, again sets us apart. Indeed, our solid performance in the multimedia peripheral segment, the introduction of Balance Radiator technology which includes applications in flat panel TVs, as well as mass production of automotive speakers serves as ample evidence of our ability to turn foresight into viable products with real world applications.

Completing our full chain of services is our vertically integrated manufacturing facilities which includes 92 production lines. Having raised capacity through the implementation of enhancement initiatives, installation of new equipment, and adoption of Cellular Manufacturing processes, we are well able to produce products of the highest caliber, meet the most stringent standards, and do so cost-effectively. Now with our production facilities in Chang An Town, Dongguan, the People's Republic of China ("PRC") fully operational, this will allow us to expand production of speaker drivers for use in flat panel speakers and audio speakers, as well as satisfy strong demand from customers in the automotive industry.

Chairman's Statement

Consistent with our approach for managing present and future objectives, we have continued to recruit the best and brightest to bolster our talent pool, and not just in research and development, but across the board. This includes positions in the marketing and finance departments, thereby ensuring the highest efficiency throughout the breadth of our operations. Moreover, we have begun to carefully examine opportunities to tap new labor markets where skilled laborers are plentiful, hence mitigate associated cost rises and shortages in the Pearl River Delta region.

Towards the future, we will persevere in our course of migrating towards high margin products where high entry barriers help limit competition while playing to our research and development strengths.

On behalf of the Board, I would like to extend my gratitude to our business partners, customers, and shareholders for their ongoing support from which another fruitful year has concluded. Both the management team and staff are equally deserving of praise for their unwavering dedication and diligence. In the coming year, we will look forward to bolstering this collaborative effort, building greater growth momentum and realizing higher returns for our stakeholders.

Cheung Wah Keung
Chairman of the Board

18th April, 2008

Management Discussion and Analysis

Market Review

The public's insatiable desire for the most up-to-date, portable communication, entertainment, and multimedia devices has ensured demand for associated high-quality electro-acoustic peripherals remained equally robust. The increased interest in MP3 technology, for example, has meant that this digital audio encoding format has become widely integrated into numerous products including mobile phones, heightening its appeal even further.

Similarly, the availability of digital broadcasting in high definition format has elevated interest in flat-panel TVs and home entertainment systems. Not limited to these devices, laptop computers have begun to double as entertainment centers by consumers; consequently, global shipments of laptops have for the first time exceeded their desktop counterparts, fueling demand for highly connectable personal and portable audio accessories. In addition to this new trend, the use of Bluetooth headsets looks set to pick up once legislation banning motorists from using mobile phones is more vigorously enforced in Europe and the United States.

Business Review

Company Overview

For the latest financial year, the Group consolidated its position in the electro acoustic peripheral products segment by streamlining its operational model and expanding the Group's talent pool, consequently achieving overall sales growth and stable margin. The Group made particular progress in its speaker driver business while realizing notable contributions from the multimedia, entertainment and automotive sectors. During the year, the Group also continued to scale down its activities in the audio products segment, a move that is consistent with management's strategy of migrating to higher margin products such as the aforementioned speaker businesses. In terms of geographical breakdown, Europe continued to represent the largest market for the Group, accounting for over 50% of sales. Having overtaken the United States in 2006, the European market further extended its lead in the latest financial period. Meanwhile sales to Asia also saw significant growth. Although the manufacturing environment in the PRC remained testing during the year, the Group was able to maintain its margin by leveraging improving efficiencies and passing part of material costs and overhead to customers.

Multimedia Peripheral Business

The multimedia peripheral business maintained its status as the Group's top revenue driver, accounting for 51.4% of total revenue. Driven by such factors as the ability to deliver more entertainment device solutions; rising market acceptance in Europe where consumers have begun to take greater interest in portable entertainment products; an upsurge in demand for notebooks; and the downsizing of digital music players which triggered a strong desire for complementary acoustic accessories, the Group realized solid sales growth. Specifically, segment turnover rose by 35.9% to HK$700,904,000, while segment result was recorded at HK$35,396,000, a rise of 26.5% over the corresponding period of last year (2006: HK$27,979,000).

Entertainment Peripheral Business

Offering exceptional acoustic performances to enhance consumers' entertainment experiences, this higher-end, high-quality product segment is generally less susceptible to economic slowdowns; and indeed, the Group's entertainment peripheral business continued to make headway. The growing view taken by consumers of workstations as entertainment centers; the availability of digital entertainment sources; and the popularity of MP3 products such as the iPod, were also reasons why the Group was able to maintain steady sales growth, up by 1.2% to HK$362,188,000 – accounting for 26.5% of total turnover; though a moderate decline in segmental result was experienced, down from HK$19,498,000 to HK$18,109,000.

Management Discussion and Analysis

Business Review *(Continued)*

Communication Peripheral Business

The communication peripheral business entered a temporary period of sluggishness as demand for Bluetooth wireless headsets tapered off in certain markets. While the governments of many European countries have banned the use of mobile phones by motorists, progress has been comparatively slow in the United States – a significant market for wireless headset devices. Consequently, the communication peripheral business recorded turnover of HK$156,885,000 for the review period, representing a decline of 7.4% year on year. Nevertheless, segment result declined by 4.8% from HK$14,007,000 to HK$13,335,000. In view of the high potential of this segment, backed by increasing popularity of multimedia mobile handsets, internet telephony and wireless communication capabilities, the Group has dedicated more resources specifically for the development of communication peripheral products. A few projects have subsequently been won during the year and shipments will start in 2008.

New Business Initiatives – Complete Acoustic Solutions

In accordance with the Group's strategic direction, it has continued to scale down its interest in the audio segment during the last financial period. Outside of the Group's three core businesses, the Group's acoustic solution business saw rapid growth during the review period. Riding on the Group's strong R&D and acoustic expertise, its complete acoustic solutions and speaker drivers were supplied to the flat-panel TV, automotive, and other related business segments during the last 12-month period. Correspondingly, surging demand for flat-panel TVs played a crucial role in elevating income. Not limited to satisfying the flat-panel TV market, the Group realized solid progress in the automotive front. In fact, the Group received the "Q1 Preferred Quality" award from the Ford Motor Company, in November 2007, making it a preferred supplier. Such growth comes at a particularly appropriate time as the Group's 3-storey production plant in Chang An Town, Dongguan, PRC, commenced operation in May 2007, and will mainly produce speakers and related acoustic products for flat-panel TV and automobile applications. Possessing a production capacity of 20 million speakers per year, the 20,000 sq. m. facility will help the Group to expedite its product diversification drive, meet its own and customers' production needs, all the while maintaining the highest quality standards.

Audio Segment

While the Group has continued to scale down its interest in the audio segment during the latest financial period, this area of business was able to contribute total sales of HK$37,556,000 with segmental result of HK$451,000.

Financial Review

Results Performance

For the year ended 31st December, 2007, the Group's turnover increased by 16.2% from that of the previous year, reaching HK$1,364,536,000 (2006: HK$1,174,157,000). This increase was mainly attributed to strong growth in the multimedia peripheral business. Net profit margin maintained at 4.2%.

During the year, basic earnings per share reached approximately HK cents 18.0. The Board recommended the payment of a final dividend of HK cents 3.9 per share for the year ended 31st December, 2007. Together with the interim dividend of HK cents 1.6 per share already paid, total dividends for the year amounted to HK cents 5.5 per share.

Management Discussion and Analysis

Financial Review *(Continued)*

Liquidity and Financial Resources

As at 31st December, 2007, the Group maintained a healthy cash level with cash and cash equivalents of HK$167,272,000 (2006: HK$117,013,000) and unutilized banking facilities of HK$116,566,000 (2006: HK$52,553,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.6 compared with 1.5 in 2006.

Meanwhile, the gearing ratio of the Group decreased from 16.6% to 4.4% as at 31st December, 2007. The ratio was calculated by dividing total borrowings of HK$14,165,000 (2006: HK$43,447,000) by shareholders' equity of HK$322,934,000 (2006: HK$262,387,000).

Share Capital

In April 2007, a net proceed of HK$19,981,000 was raised from a top-up shares subscription of the Company, which was intended to be used as general working capital of the Company.

Treasury Policies

The Group does not engage in any highly leveraged or speculative derivative products. Consistent with this prudent approach to financial risk management, the Group has continued to work toward maintaining a comfortable gearing position. Since the Group's sales and raw material purchases are conducted in US dollars and Hong Kong dollars, the Board believes that the Group will have sufficient foreign exchange reserves to match necessary requirements. Part of manufacturing overhead is denominated in Renminbi, to mitigate the impact of exchange rate fluctuations, the Group will closely assess and monitor the movement of the Renminbi exchange rate. The management will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 31st December, 2007, the Group had no contingent liabilities.

Pledge on the Group's Assets

As at 31st December, 2007, no bank deposits (2006: HK$4,452,000) had been pledged to secure the Group's banking facilities.

Prospects

Intent on making further inroads in its key businesses while also continuing to migrate to high margin products, the Group will be focusing on three main objectives in the period ahead. Specifically, the Group will be directing its energies on speaker drivers; portable accessories such as headphones and headsets; and open models, namely, complete turnkey solutions that help customers speedup their launch cycles.

Management Discussion and Analysis

Prospects *(Continued)*

Having made solid inroads in the speaker driver business – consequently the Chang An factory has reached breakeven point within the eight months of operation – the Group will seek to attract still greater orders in Europe and the United States, while further expanding its presence in Asia. Toward achieving such aims, the Group will be injecting more investments into the speaker driver business and placing effort into enhancing its offerings, which includes applications which demand extreme form constraints. Likewise, the integration of minor speakers for handheld devices will continue in earnest. Already, the Group in cooperation with New Transducers Limited – a partnership that led to joint-developed speaker systems using Balance Radiator technology – has earned several new flat-panel TV orders which will be implemented in 2008.

With regard to portable accessories, the Group has further strengthened its R&D team, enlisting talent from around the world to develop its acoustic products. This comes at a particularly favorable time as demand for high quality portable acoustic assessories with surface finishing that offers greater appeal to customers continue to build, riding on the success of several popular multimedia devices.

To deliver open models that capture the interest of customers, thus building on its standing as an original design and original equipment manufacturer, the Group aims to continue converting its understanding of consumer trends into viable technologies and products. Having established a dedicated team to explore emerging technologies, maintained an aggressive policy of recruitment, and continued to form partnerships to access necessary technologies, the Group is confident of its ability to provide innovative open models for its customers. Already, the Group has secured several new contracts using the open model business platform that are expected to translate into new product launches in the coming financial year.

In addition to the three main objectives to be implemented, the Group will remain committed to raising efficiency, hence launching the second phase of the ERP system, and further adoption of cellular manufacturing practices. Moreover, the Group will be allocating a significant percentage of capital expenditure specifically on automation and expansion. On the human resources front, the Group has recruited, and will further recruit individuals to assist in cost controls. Similarly, management will be exploring opportunities to tap new labor markets to mitigate rising costs and shortages of skilled workers which have become growing concerns associated with operating in the Pearl River Delta region.

Employees

As at 31st December, 2007, the Group's work force totaled approximately 5,400 (2006: approximately 4,300) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$115,236,000 (2006: HK$79,391,000). The Group ensures that the pay levels of its employees are competitive and according to market trends and its employees are rewarded on a performance related basis and within the general framework of the Group's salary and bonus system.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance and have put in place self regulatory corporate practices to protect the interests of its shareholders and the enhancement of shareholder value. Our mission in terms of corporate governance is to provide high-quality products and services to the satisfaction of our customers; maintain high standards of business ethics and achieve these goals while, at the same time, providing satisfactory and sustainable returns to shareholders.

In addition, the Group acts in a socially responsible manner through a variety of initiatives and sees this as part of its overall commitment to good corporate governance.

The Company has a Code of Business Conduct that sets out principles, values and standards of conduct expected of management and staff throughout the Group, and underpins our operating procedures and policies.

The Company has, throughout the year ended 31st December, 2007, applied and complied with the code provisions set out 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 as stated in paragraph headed "Chairman and Chief Executive Officer" below.

Directors' Securities Transactions

The Company has adopted its own code of conduct regarding securities transactions by Directors (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. A copy of the Securities Code is sent to each Director of the Company first on his appointment and thereafter twice annually, one month before the date of the board meeting to approve the Company's half-year result and annual result, with a reminder that the Director cannot deal in the securities and derivatives of the Company until after such results have been published.

Under the Securities Code, Directors of the Company are required to notify the Chairman or a Director designated by the Board for such specific purpose (the "Designated Director") and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Designated Director and receive a dated written acknowledgement before any dealing.

On specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards set out in the Securities Code for the period covered by the annual report.

Corporate Governance Report

Board of Directors

Composition

The Board consists of six members, including three Executive Directors and three Independent Non-Executive Directors and the members of the Board for the year ended 31st December, 2007 were:

Executive Directors
Mr. Cheung Wah Keung *(Chairman)*
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

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 18 of this annual report. There is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All Independent Non-Executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the ratio between Executive Directors and Independent Non-Executive Directors is reasonable and adequate. The Board also believes that the participation of Independent Non-Executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all shareholders and the Group are considered and safeguarded.

Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of resources as well as the effectiveness of its system of internal control.

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated from the Board to the management of the Company. In addition, an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee") were set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the section headed "Board Committees" of this annual report.

Chairman and Chief Executive Officer

The CG Code provision A.2.1 stipulated that the roles of Chairman of the Board (the "Chairman") and Chief Executive Officer should be separated 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.

Corporate Governance Report

Board of Directors *(Continued)*

Chairman and Chief Executive Officer *(Continued)*

Mr. Cheung Wah Keung is the Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company. Given the Group's current stage of development, the Board considers that 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.

Independence of Independent Non-Executive Directors

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has appointed three Independent Non-Executive Directors, one of whom has appropriate professional qualification in accounting and financial management expertise. All Independent Non-Executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company and the Board considers that all Independent Non-Executive Directors have satisfied their independence of the Group.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against directors, officers and senior management arising out of corporate activities.

Board Meeting

The Board meets regularly and at least four times each year and additional meetings may be convened as and when necessary. During the meetings of the Board, Directors discussed and formulated the business policies and strategies, corporate governance and system of internal control, reviewed the interim and final business results and other relevant important matters. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media.

The company secretary of the Company (the "Company Secretary") assists the Chairman in setting the agenda for Board meetings and all Directors are given opportunities to include any matters for discussion in the agenda for regular Board meetings. Notice of Board meeting will be given to all Directors at least 14 days prior to the date of the regular Board meetings.

The Company Secretary is also responsible for ensuring that all applicable rules and regulations are followed. Draft minutes of Board meetings and meetings of the Board committees shall be circulated to all Directors for comments and approval as soon as practicable after the meetings. Minutes of Board meetings and meetings of Board committee are kept by the Company Secretary and all Board members shall be given a copy of the minutes for their record. Should a matter being considered which involve a potential conflict of interest of a Director, the Director involved in the transaction will be requested to leave the boardroom and abstain from voting. The matter will be discussed and resolved by other Directors. Policy is in place that Directors, upon reasonable request, may seek independent professional advice on issues related to the Group's business at the Company's expenses.

Corporate Governance Report

Board of Directors *(Continued)*

Board Meeting *(Continued)*

During the year, the number of Board and Board committees' meetings held and attended by each Director is as follows:

	Meetings Attended		
	Board	**Audit Committee**	**Remuneration Committee**
Number of meetings held during the year	**6**	**2**	**2**
Executive Directors			
Mr. Cheung Wah Keung	6	N/A	2
Mr. Ip Wai Cheong, Ernest	6	N/A	N/A
Mr. Wang Dong	6	N/A	N/A
Independent Non-Executive Directors			
Mr. Lai Ming, Joseph	6	2	2
Dr. Lam King Sun, Frankie	6	2	2
Mr. Goh Gen Cheung	6	2	2

Directors' Terms of Appointment

All Directors, including Independent Non-Executive Directors, are appointed for a term of three years and are subject to the requirement of retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

Nomination of Directors

The Company does not have a nomination committee.

The Board regularly reviews its structure, size and composition. The Company adopts a formal and transparent procedure for the appointment or re-election of Directors to the Board. The appointment of a new Director or re-election of Directors is a collective decision of the Board, taking into consideration the expertise, experience and integrity of that appointee.

During the year under review, the re-election of Directors, who retire according to Article 87 of the Articles of Association of the Company, were considered by the Board and separate resolutions had been proposed for the re-election of retired Directors at the annual general meeting of the Company held on 25th May, 2007.

Corporate Governance Report

Board Committees

The Board has established two committees, namely the Audit Committee and the Remuneration Committee with specific terms of reference.

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.

Regular attendees at the Audit Committee meetings include the Head of Finance and the external auditor. The Audit Committee meets with the external auditor without the presence of Company's management. The terms of reference of the Audit Committee follow the code provisions set out in the CG Code and are available on the website of the Company.

The Audit Committee held two meetings in 2007 with an attendance rate of 100%. Each meeting received written reports from the external auditor that deal with matters of significance arising from the work conducted since the previous meeting. During 2007, the work performed by the Audit Committee included:

- reviewing the consolidated financial statements for the year ended 31st December, 2006 and the annual results announcement;

- reviewing the interim consolidated financial statements for the six months ended 30th June, 2007 and the interim results announcement;

- reviewing the significant audit and accounting issues arising from the external auditor's audit;

- meeting with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the auditor might wish to raise;

- reviewing the development in accounting standards and the Group's response, including the preparation for adoption of Hong Kong Financial Reporting Standards;

- reviewing the Company's compliance with regulatory and statutory requirements; and

- reviewing the Group's risk management processes.

The Audit Committee assesses the independence of the external auditor during the year through a series of questions and the external auditor also formally communicate to the Audit Committee their business relationship with the Group and any other independence matters. The annual results for the year ended 31st December, 2007 have been reviewed by the Audit Committee.

Corporate Governance Report

Board Committees *(Continued)*

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors, namely Dr. Lam King Sun, Frankie, Mr. Lai Ming, Joseph and Mr. Goh Gen Cheung and one Executive Director, namely Mr. Cheung Wah Keung. Dr. Lam King Sun, Frankie was appointed as the chairman of the Remuneration Committee on 10th July, 2007.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Executive Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The terms of reference of the Remuneration Committee follow the code provisions set out in the CG Code and are available on the website of the Company.

In order to be able to attract and retain staff of suitable calibre, the Group provides a competitive remuneration package. This comprises salary, housing and provident fund. Although the remuneration of these executives is not entirely linked to the profits of the Company or division in which they are working, it is considered that, given the volatility of various businesses within the Group, this has contributed considerably to the maintenance of a stable, motivated and high-calibre senior management team in the Company.

The Remuneration Committee met twice in the year 2007 with all committee members attended the meetings. During the meetings, the Remuneration Committee reviewed the remuneration packages for all Directors and senior management, the employees' salary increments proposal and considered the proposal for granting of share options. No member took part in voting about his own remuneration at the meeting.

Control Mechanisms

The Board acknowledges its responsibility in maintaining a sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Company at all times.

Audit and Internal Control

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Company's internal controls is independently conducted by the management on an on-going basis.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Company and its subsidiaries for the year ended 31st December, 2007 and that they consider such system to be reasonably effective and adequate. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

Corporate Governance Report

Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Company for the year ended 31st December, 2007 and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such consolidated financial statements.

The statement of the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 26 to 27 of this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern.

Auditor's Remuneration

For the year ended 31st December, 2007, services provided to the Company by its external auditor, Messrs. Deloitte Touche Tohmatsu, and the respective fees paid were:

	2007	2006
	HK$	HK$
Audit services	**1,300,000**	1,300,000
Other non-audit services	**361,000**	361,000

Investor Relations and Communication with Shareholders

The Company regards transparent reporting as an essential element in building successful relationships with its shareholders.

The Company always seeks to provide relevant information to current and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. This is part of a continuous communication program that encompasses meetings and announcements to the market as well as periodic written reports in the form of preliminary announcement of results and interim and annual reports. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports.

The Company also maintains a corporate website on which comprehensive information about the Group is provided.

The Company continues to promote and enhance investor relations and communication with its investors. Regular meetings are also held with institutional investors and research analysts to provide them with timely updates on the Group's latest business developments and non-price sensitive information. These activities keep the public informed of the Group's activities and foster effective communications.

The Company is committed to ensuring that it is fully compliant with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

Biographical Details of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Cheung Wah Keung, aged 47, has been a director of Shinhint Industries Limited ("Shinhint Industries"), an indirect wholly owned subsidiary of the Company, since August 1992 and has been the Chairman of the Board, the Chief Executive Officer and an Executive Director of the Company since May 2005. Mr. Cheung is responsible for the overall strategic and corporate planning, business development and management of the Group. He obtained a Bachelor degree of Business Administration from the Chinese University of Hong Kong and has over 16 years of experience in management of trading and manufacture of consumer electronic products. Mr. Cheung is an independent non-executive director of Rainbow Brothers Holdings Limited, whose shares are listed on the Stock Exchange. He is also a director of Pro Partner Developments Limited, a substantial shareholder of the Company.

Mr. Ip Wai Cheong, Ernest, aged 49, has been an Executive Director of the Company since May 2005. Mr. Ip joined Crown Million Industries (International) Limited ("CMI"), an indirect wholly owned subsidiary of the Company, in December 2004 and is currently responsible for the operation of the Company. Prior to joining the Group, he worked in Nestle Group for 17 years covering functions such as strategic as well as operational management. Mr. Ip graduated from the Chinese University of Hong Kong with a Bachelor's and a Masters degree in Business Administration in December 1981 and October 1989 respectively.

Mr. Wang Dong, aged 49, has been an Executive Director of the Company since May 2005. Mr. Wang is responsible for the plastic production of Tai Sing Industrial Company Limited ("Tai Sing"), an indirect wholly owned subsidiary of the Company. Prior to joining Tai Sing in 2001, he worked for a sino-foreign equity joint venture incorporated in the PRC for 4 years where he was responsible for production operation. Mr. Wang obtained a Diploma in physics from Huazhong Normal University, the PRC.

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 63, has been an Independent Non-Executive Director of the Company since June 2005. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia and the Chartered Institute of Management Accountants ("CIMA") and the Hong Kong Institute of Directors. He cofounded the Hong Kong Centre of CIMA in 1973 and was the president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. He is also an adviser to the Corporate Governance Committee of CPA Australia Hong Kong China Division.

Until retirement in 2004, Mr. Lai served several Hong Kong listed companies in key management positions with particular emphasis on corporate finance and organization and management information. He is an independent non-executive director of Jolimark Holdings Limited, Dynasty Fine Wines Group Limited, Guangzhou R&F Properties Co., Limited and Country Garden Holdings Company Limited, all of which are companies whose shares are listed on the Stock Exchange. He was also a non-executive director of Synergis Holdings Limited until August 2005 and an independent non-executive director of SNP Leefung Holdings Limited until its privatisation in September 2006.

Mr. Lai is also a director of Hong Kong University of Science and Technology R and D Corporation Limited.

Biographical Details of Directors and Senior Management

Board of Directors *(Continued)*

Independent Non-Executive Directors *(Continued)*

Dr. Lam King Sun, Frankie, aged 47, has been an Independent Non-Executive Director of the Company since June 2005. He has over 20 years of experience in human resources and general management. Dr. Lam earned his Ph. D. degree and Master of Science degree from Purdue University in the USA in August 1986 and December 1985 respectively, and Bachelor and Master of Arts degrees from the University of North Texas in December 1982 and August 1983 respectively. Dr. Lam is a Fellow of the Hong Kong Institute of Director, and a Fellow of the Hong Kong Institute of Human Resource Management.

Mr. Goh Gen Cheung, aged 61, has been an Independent Non-Executive Director of the Company since June 2005. Mr. Goh has over 30 years of experience in the field of treasury, finance and banking in Hong Kong and the Asia Pacific Region. Mr. Goh is an associate member of the Institute of Bankers and obtained a Master's degree in Business Administration from the University of East Asia in Macau in February 1987.

Mr. Goh is an independent non-executive director of Peaktop International Holdings Limited, Karce International Holdings Company Limited, CEC International Holdings Limited and China Flavors and Fragrances Company Limited, all of which are companies whose shares are listed on the Stock Exchange. He was also an independent non-executive director of Sun East Technology (Holdings) Limited and resigned on 20th May, 2005.

Senior Management

Dr. Ching Boon Huat, aged 47, joined the Group in July 2006 and is the Chief Operation Officer of Shinhint Industries responsible for the manufacturing operation. Prior to joining the Group, he worked in Sharp-Roxy Corp (M) Sdn Bhd, an overseas production base of Sharp Corporation Japan, for 19 years and had taken management responsibilities in areas of purchasing, materials management, and manufacturing operation management. Dr. Ching earned his Doctor of Business Administration degree from University of South Australia in 2004 and Master of Business Administration degree from University Science of Malaysia in 1995. He also holds a Bachelor of Social Science (Honours) degree in Management from the University Science of Malaysia in 1985.

Mr. Fan Kai Yiu, aged 44, joined the Group in May 2000 and is the director of business development of Shinhint Industries. Mr. Fan received a Bachelor of Arts degree in English Literature from Chu Hai College in Hong Kong in January 1987 and a graduate certificate in Marketing from Royal Melbourne Institute of Technology in Australia in November 1999.

Mr. Tang Chung Hong, Philip, aged 47, joined the Group in July 1996 and is the director of supply chain management of Shinhint Industries. Mr. Tang is responsible for sourcing of raw materials and management of purchase orders in support of the sales and marketing division of the Group.

Mr. Leung Chi Keung, **Frederick**, aged 47, joined the Group in September 1995 and is the director of business development of CMI. Mr. Leung has approximately 11 years of experience in business development and production management. Mr. Leung obtained a Bachelor of Business (Business Administration) degree from Royal Melbourne Institute of Technology in Australia in December 2002.

Biographical Details of Directors and Senior Management

Senior Management *(Continued)*

Mr. Kwan Tsz Bun, aged 53, is the deputy general manager of Shinhint Industries. Prior to joining the Group in November 1996, Mr. Kwan has worked as an engineer for plastic products in Electronic Industry Limited (a subsidiary of General Electric Company) for approximately seven years.

Mr. Wei Shi Xiong, aged 67, joined the Group in October 2004 and is the chief engineer of CMI responsible for the development of consumer electronic products. Mr. Wei has over 40 years' engineering experience in the electro-acoustic industry. Mr. Wei holds a Master's degree from Nanjing University of the PRC in August 1964 with emphasis on acoustics. He was also a lecturer for acoustics in the Shandong College of Oceanography in July 1982 and a visiting research scholar in physics (acoustics) at the Howard University of the US in April 1981.

Mr. Chan Yick Fung, aged 41, joined the Group in April 2005 and is the director of research and development. Mr. Chan received a Bachelor of Science degree in electronic engineering, a Postgraduate Certificate in Business Administration and a Master's degree in Business Administration from the City University of Hong Kong in November 1989, December 1996 and November 2003 respectively.

Mr. Yue Kam Fai, Stanedy, aged 40, joined the Group in January 2008 and is the director of business development of Shinhint Industries. Mr. Yue graduated from the Hong Kong Polytechnic University with Distinction in Higher Diploma in Chemical Technology in 1991. Prior to joining the Group, he worked in Wal-Mart Global Procurement, Philips Electronics HK Limited, Elec & Eltek and Wong's Circuits (PTH) Limited. He is a qualified European Foundation of Quality Management (EFQM) assessor and Lead assessor on Philips Supplier Certification Program.

Ms. Cheng Ching Man, aged 40, joined the Group in April 2007 as Chief Financial Officer. She is responsible for the overall financial control, treasury management, accounting and administration functions of the Group. Ms. Cheng is a graduate of the Hong Kong Polytechnic University, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She has over 19 years of experience in auditing, accounting and corporate financial management.

Report of the Directors

The directors of the Company (the "Directors") are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31st December, 2007.

Principal Activities

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

Results and Appropriations

The results for the year ended 31st December, 2007 are set out in the consolidated income statement on page 28.

An interim dividend of HK cents 1.6 per share was paid during the year. The Directors have recommended the payment of a final dividend of HK cents 3.9 in cash per share, to the shareholders on the register of members on 30th May, 2008, amounting to a total of HK cents 5.5 in cash per share for the year.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31.

Material Investment and Acquisition

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

Bank Borrowings

Details of the bank borrowings of the Group as at 31st December, 2007 are set out in note 25 to the consolidated financial statements.

Property, Plant and Equipment

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

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements. During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Report of the Directors

Directors

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

Executive Directors
Mr. Cheung Wah Keung *(Chairman)*
Mr. Ip Wai Cheong, Ernest
Mr. Wang Dong

Independent Non-Executive Directors
Mr. Lai Ming, Joseph
Dr. Lam King Sun, Frankie
Mr. Goh Gen Cheung

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Lai Ming, Joseph and Mr. Goh Gen Cheung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 31st December, 2007, the interests and short positions of each Director and chief executive 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 (the "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:

Name of Director	Capacity	Number of shares held[1]	Approximate percentage of the issued shares
Cheung Wah Keung	Interest of a controlled corporation[2]	152,655,473	46.19%
	Beneficial owner	6,076,000	1.84%
Ip Wai Cheong, Ernest	Beneficial owner	4,698,302	1.42%

Report of the Directors

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

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 31st December, 2007, none of the Directors and 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.

Share Option Scheme

A summary of the share option scheme is set out in note 27 to the consolidated financial statements. No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the share option scheme during the year ended 31st December 2007.

Substantial Shareholders' Interests

As at 31st December, 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 of 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[1]	Approximate percentage of the issued shares
Cheung Wah Keung[2]	Beneficial owner and interest of a controlled corporation	158,731,473	48.03%
Martin Currie (Holdings) Limited[3]	Interest of controlled corporations	42,076,000	12.73%
David Michael Webb[4]	Beneficial owner and interest of a controlled corporation	16,680,000	5.05%

Report of the Directors

Substantial Shareholders' Interests *(Continued)*

Notes:

(1) Interests in shares stated above represent long positions.

(2) 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.

(3) 20,800,000 shares and 21,276,000 shares were held by Martin Currie Inc. and Martin Currie Investment Management Limited respectively, being wholly owned subsidiaries of Martin Currie Ltd. which in turn is a wholly owned subsidiary of Martin Currie (Holdings) Limited.

(4) 14,136,000 shares were held by Preferable Situation Assets Limited which is wholly owned by Mr. David Michael Webb. By virtue of the SFO, Mr. David Michael Webb is deemed to be interested in all the shares held by Preferable Situation Assets Limited. Together with 2,544,000 shares held beneficially, Mr. David Michael Webb is deemed to be interested in 16,680,000 shares in the Company.

Save as disclosed above, as at 31st December, 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.

Directors' Interests in Contracts of Significance

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

Continuing Connected Transactions

Pursuant to the supply agreement dated 25th June, 2005 (the "Supply Agreement") between CMI and Dongguan Guanman Acoustic Company Limited ("DGAC"), a connected person of the Company by virtue of being ultimately controlled by Mr. Ip Wai Cheong, Ernest, an Executive Director of the Company, DGAC had agreed to supply CMI with speakers for automobile and plasma television (the "Products") for a term of two years commencing on 1st January, 2005 until 31st December, 2006 in accordance with the terms of the sale and purchase contracts to be entered into between the parties from time to time during the term of the Supply Agreement. The continuing connected transactions contemplated under the Supply Agreement are subject to reporting, announcement and independent shareholders approval requirements, but waiver from strict compliance therewith (except the reporting requirement) has been obtained from the Stock Exchange.

Report of the Directors

Continuing Connected Transactions *(Continued)*

Pursuant to a supplemental agreement dated 29th January, 2007 (the "Supplemental Agreement") and the second supplemental agreement dated 20th April, 2007 (the "Second Supplemental Agreement") entered into between CMI and DGAC, DGAC had agreed, amongst others, to supply CMI with the Products for the period from 1st January, 2007 to 31st December, 2007 in accordance with the terms and conditions of the Supplemental Agreement and the Second Supplemental Agreement. The continuing connected transactions regarding the supply by DGAC of the Products to CMI contemplated under the Supplemental Agreement and the Second Supplemental Agreement are subject to reporting, announcement and independent shareholders approval requirement and such approval was given by the shareholders at the extraordinary general meeting of the Company held on 25th May, 2007.

Pursuant to the Supplemental Agreement and the Second Supplemental Agreement, CMI had agreed to supply components and plastic parts of the Products to DGAC for the period from 1st January, 2007 to 31st December, 2007 in accordance with the terms and conditions of the Supplemental Agreement and Second Supplemental Agreement. The continuing connected transactions regarding the sales by CMI of the components and plastic parts of the Products to DGAC contemplated under the Supplemental Agreement and the Second Supplemental Agreement is exempted from independent shareholders' approval but are subject to announcement and reporting requirements under the Listing Rules.

For the year ended 31st December, 2007, the total purchase amount by CMI from DGAC amounted to HK$40,291,000 (2006: HK$72,982,000), which did not exceed the annual cap of HK$50,000,000 prescribed for the year ended 31st December, 2007.

For the year ended 31st December, 2007, the total sales amount by CMI to DGAC amounted to HK$260,000 (2006: HK$882,000), which did not exceed the annual cap of HK$1,500,000 prescribed for the year ended 31st December, 2007.

The Independent Non-Executive Directors of the Company have reviewed the continuing connected transactions and confirmed that these transactions have been entered into:

a) in the ordinary and usual course of business of the Group;

b) on normal commercial terms that are fair and reasonable; and

c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For further details regarding the above continuing connected transactions, please refer to note 33 to the consolidated financial statements.

Competing Interest

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

Report of the Directors

Remuneration Policy

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

The emoluments of the Executive Directors and senior management of the Company are recommended by the Remuneration Committee to the Board for their approval, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 27 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Securities

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31st December, 2007.

Pre-emptive Rights

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

Major Customers and Suppliers

For the year ended 31st December, 2007, the five largest customers accounted for approximately 97.8% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 74.1% of the Group's total turnover.

For the year ended 31st December, 2007, the five largest suppliers accounted for approximately 22.8% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 7.3% of the Group's total purchase.

At 31st December, 2007, Mr. Ip Wai Cheong, Ernest, an Executive Director of the Company, had a beneficial interest in one of the five largest suppliers of the Group. All transactions between the Group and the suppliers concerned were carried out on normal commercial terms.

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

Public Float

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

Report of the Directors

Auditor

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

On behalf of the Board

Cheung Wah Keung
Chairman

Hong Kong, 18th April, 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SHINHINT ACOUSTIC LINK HOLDINGS LIMITED
成謙聲匯控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 79, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

Auditor's responsibility *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18th April, 2008

Consolidated Income Statement

For the year ended 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue	6	**1,364,536**	1,174,157
Cost of sales		**(1,188,401)**	(1,022,255)
Gross profit		**176,135**	151,902
Other income	7	**3,041**	2,653
Selling and distribution costs		**(25,642)**	(22,434)
Administrative expenses		**(85,308)**	(67,982)
Loss on disposal of an associate	15	**–**	(3,944)
Finance costs	8	**(1,572)**	(2,487)
Profit before taxation	9	**66,654**	57,708
Taxation	10	**(8,753)**	(7,379)
Profit for the year		**57,901**	50,329
Dividends	12	**17,848**	13,046
Earnings per share	13		
Basic (HK dollar)		**0.18**	0.17
Diluted (HK dollar)		**N/A**	0.17

Consolidated Balance Sheet

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current Assets			
Property, plant and equipment	14	**75,181**	57,784
Club membership	16	**978**	978
Pledged bank deposits	19	**–**	3,291
		76,159	62,053
Current Assets			
Inventories	17	**141,368**	135,363
Trade debtors, deposits and prepayments	18	**365,898**	359,564
Pledged bank deposits	19	**–**	1,161
Bank balances and cash	20	**167,272**	117,013
		674,538	613,101
Current Liabilities			
Trade creditors and accrued charges	21	**403,250**	337,801
Bills payable	22	**4,434**	9,850
Amount due to a related company	23	**–**	14,467
Tax liabilities		**1,148**	3,949
Obligations under finance leases			
– due within one year	24	**498**	110
Bank borrowings – due within one year	25	**12,498**	38,241
		421,828	404,418
Net Current Assets		**252,710**	208,683
Total Assets less Current Liabilities		**328,869**	270,736

Consolidated Balance Sheet

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Capital and Reserves			
Share capital	26	**3,305**	3,034
Reserves		**319,629**	259,353
Total Equity		**322,934**	262,387
Non-current Liabilities			
Obligations under finance leases			
– due after one year	24	**571**	–
Bank borrowings – due after one year	25	**1,667**	5,206
Deferred tax liabilities	28	**3,697**	3,143
		5,935	8,349
		328,869	270,736

The consolidated financial statements on pages 28 to 79 were approved and authorised for issue by the Board of Directors on 18th April, 2008 and are signed on its behalf by:

Cheung Wah Keung *DIRECTOR*	**Ip Wai Cheong, Ernest** *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31st December, 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	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	–	–	–	155	–	–	155
Profit for the year	–	–	–	–	–	50,329	50,329
Total recognised income for the year	–	–	–	155	–	50,329	50,484
Exercise of share options	34	2,025	–	–	(2,025)	–	34
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	3,034	74,320	4,950	450	–	179,633	262,387
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	513	–	–	513
Profit for the year	–	–	–	–	–	57,901	57,901
Total recognised income for the year	–	–	–	513	–	57,901	58,414
Placement of new shares	271	20,007	–	–	–	–	20,278
Shares issue expenses	–	(297)	–	–	–	–	(297)
Final dividend paid in respect of 2006	–	–	–	–	–	(12,560)	(12,560)
Interim dividend declared in respect of 2007	–	–	–	–	–	(5,288)	(5,288)
At 31st December, 2007	3,305	94,030	4,950	963	–	219,686	322,934

Note:

Special reserve represents 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 by the Company pursuant to the group reorganisation in 2005.

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	2007 HK$'000	2006 HK$'000
Operating activities		
Profit before taxation	66,654	57,708
Adjustments for:		
Finance costs	1,572	2,487
Share-based payment expense	–	106
Depreciation	16,252	16,018
Impairment losses on trade debtors	289	105
Bad debt written off	144	–
Write down of inventories	6,835	1,773
Interest income	(2,419)	(1,664)
Loss on disposal of property, plant and equipment	621	401
Loss on disposal of an associate	–	3,944
Operating cash flows before movements in working capital	89,948	80,878
(Increase) decrease in inventories	(12,840)	36,356
Increase in trade debtors, deposits and prepayments	(6,767)	(24,408)
Increase (decrease) in trade creditors and accrued charges	65,449	(16,462)
(Decrease) increase in bills payable	(5,416)	7,098
Decrease in amount due to a related company	(14,467)	(1,712)
Cash generated from operations	115,907	81,750
Hong Kong Profits Tax paid	(11,000)	(9,178)
Net cash from operating activities	104,907	72,572
Investing activities		
Purchases of property, plant and equipment	(32,788)	(17,120)
Proceeds on disposal of property, plant and equipment	76	2
Proceeds on disposal of an associate	–	1,930
Decrease in pledged bank deposits	4,452	5,425
Interest received	2,419	1,664
Net cash used in investing activities	(25,841)	(8,099)

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	2007 HK$'000	2006 HK$'000
Financing activities		
Repayment of obligations under finance leases	**(541)**	(1,343)
Net proceeds on issue of shares	**20,278**	34
Shares issue expenses	**(297)**	–
New bank borrowings raised	**9,000**	39,000
Repayment of bank borrowings	**(38,282)**	(41,510)
Dividends paid	**(17,848)**	(13,045)
Interest paid	**(1,572)**	(2,487)
Net cash used in financing activities	**(29,262)**	(19,351)
Net increase in cash and cash equivalents	**49,804**	45,122
Effect of foreign exchange rate changes	**455**	155
Cash and cash equivalents at beginning of the year	**117,013**	71,736
Cash and cash equivalents at end of the year, representing bank balances and cash	**167,272**	117,013

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

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 this annual report.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the Group) and 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, the following new standard, amendment and interpretations ("new HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment

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 required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

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

The Group has not early applied the following new or revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC) – INT 12	Service Concession Arrangements[4]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Fund Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st March, 2007
[4] Effective for annual periods beginning on or after 1st January, 2008
[5] Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company are in the process of assessing the potential impact of these new or revised standards, amendment or interpretations and so far anticipate that the application of these new or revised standards, amendment or interpretations will have no material financial impact on the results and financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

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 all applicable 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.

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.

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.

Revenue from sales of goods is 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

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 (see accounting policy in respect of impairment loss on tangible and intangible assets below).

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as loans and receivables.

Loans and receivables

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, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Financial liabilities

Financial liabilities including trade creditors and accrued charges, bills payable, amount due to a related company and bank borrowings 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

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 asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised 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.

Inventories

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

Impairment losses on tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful life is tested for impairment annually, and whenever there is an indication that they may be impaired. 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 losses are 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 which is also a financial liability of the Group. 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

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.

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 the respective 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.

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 Group (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 plans, including stated-managed retirement schemes and mandatory provident fund scheme ("MPF Scheme"), are charged as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity settled share-based payment transactions

Share options granted to employees of the Group after 7th November, 2002 and vested on or after 1st January, 2005

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 during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options 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. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In addition, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt and equity attributable to equity holders of the Company, comprising issued share capital, share premium, reserves and retained earnings.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2007 **HK$'000**	2006 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**522,090**	464,908
Financial liabilities		
Amortised cost	**413,644**	398,154
Obligations under finance leases	**1,069**	1,104

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other debtors, pledged bank deposits, bank balances, trade and other creditors and accrued charges, bills payable, amount due to a related company, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. 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

(i) *Interest rate risk*

The Group's exposure in the interest rate risk arises from the cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 20 and 25). The Group keeps its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollars borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings, the analysis is prepared assuming the amount of relevant asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 200 basis point increase or decrease is used by the management for the assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2007 would increase/decrease by HK$2,558,000 (2006: increase/decrease by HK$1,246,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Currency risk

Certain transactions of several subsidiaries are denominated in foreign currencies which are different from the functional currency of the respective subsidiaries. Any change in the exchange rates of these foreign currencies to functional currencies will impact to the Group's financial results.

The carrying amounts of the foreign exchange risk arising from foreign currency denominated monetary financial assets and liabilities at the balance sheets are as follows:

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**3,804**	4,222	**42,320**	31,330
USD	**493,020**	411,969	**131,723**	109,712

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. The management will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

As Hong Kong dollars is currently pegged to United States dollars, the management considers that the exposure to exchange fluctuation in respect of United States dollars is limited.

The following table details the Group's sensitivity to a 6% increase and decrease in Renminbi against Hong Kong dollars. The sensitivity rate of 6% is used by the management for the assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 6% change in foreign currency rate. A negative number of the net impact indicates a decrease in profit for the year where Renminbi strengthen against Hong Kong dollars. For a 6% weakening of Renminbi against Hong Kong dollars, there would be an equal and opposite impact on the profit for the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Currency risk (Continued)

	Impact of RMB	
	2007	2006
	HK$'000	HK$'000
Decrease in profit for the year	**(2,030)**	(1,383)

The sensitivity analysis above represents the exposure of the foreign exchange risk arising from foreign currency denominated monetary financial assets and liabilities at the year end only. In management's opinion, the sensitivity analysis above may not be representative exposure for the year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at end of financial year 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. The top five customers of the Group accounted for about 84% of the Group's trade debtors as at 31st December, 2007 are mainly denominated in United States dollars. The Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses 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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other debtors are set out in note 18.

Liquidity risk

The Group regularly monitors its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate credit lines from banks to meet its liquidity requirements in the short and longer term. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2007	**Weighted average effective interest rate**	**0 to 3 months**	**3 to 4 months**	**4 months to 1 year**	**Over 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31/12/2007**
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities at amortised costs							
Non-interest bearing	–	386,361	7,963	721	–	395,045	395,045
Variable interest rate instruments	4.66	14,665	384	2,114	1,738	18,901	18,599
Obligations under finance leases	5.32	136	45	362	589	1,132	1,069
		401,162	8,392	3,197	2,327	415,078	414,713

2006	Weighted average effective interest rate	0 to 3 months	3 to 4 months	4 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31/12/2006
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities at amortised costs							
Non-interest bearing	–	330,989	12,822	1,046	–	344,857	344,857
Variable interest rate instruments	5.37	13,606	23,429	12,409	5,422	54,866	53,297
Obligations under finance leases	4.90	111	–	–	–	111	110
		344,706	36,251	13,455	5,422	399,834	398,264

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

c. 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 or rates from observable current market transactions as input.

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.

6. 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:

2007

	Communication products	**Multi-media products**	**Entertainment products**	**Audio products**	**Others**	**Consolidated**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
External sales	156,885	700,904	362,188	37,556	107,003	1,364,536
RESULT						
Segment result	13,335	35,396	18,109	451	881	68,172
Unallocated income						3,041
Unallocated corporate expenses						(2,987)
Finance costs						(1,572)
Profit before taxation						66,654
Taxation						(8,753)
Profit for the year						57,901

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Balance sheet

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	66,412	303,415	156,659	13,740	41,728	581,954
Unallocated corporate assets						168,743
Consolidated total assets						750,697
LIABILITIES						
Segment liabilities	47,260	204,176	105,640	13,553	35,934	406,563
Unallocated corporate liabilities						21,200
Consolidated total liabilities						427,763

Other information

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditure	4,109	16,107	8,367	1,707	3,998	–	34,288
Depreciation	1,800	8,987	4,626	127	712	–	16,252
Loss on disposal of property, plant and equipment	74	293	153	30	71	–	621
Impairment losses on trade debtors	32	164	84	–	9	–	289
Write down of inventories	746	3,869	1,989	6	225	–	6,835
Bad debt written off	82	42	16	–	4	–	144

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2006

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Consolidated HK$'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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Balance sheet

	Communication products HK$'000	Multi-media products HK$'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$'000	Multi-media products HK$'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
Impairment losses on trade debtors	15	46	32	4	8	–	105
Write down of inventories	256	779	540	62	136	–	1,773

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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	
	2007	2006
	HK$'000	HK$'000
Europe	**724,000**	536,552
America	**502,598**	490,772
The People's Republic of China	**43,179**	68,472
Other Asia regions	**94,759**	78,361
	1,364,536	1,174,157

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	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Europe	**323,859**	293,080	**–**	–
America	**1,646**	15,375	**–**	–
The People's Republic of China	**253,924**	241,149	**34,288**	17,072
Other Asia regions	**2,525**	2,179	**–**	48
	581,954	551,783	**34,288**	17,120

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

7. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Bank interest income	**2,419**	1,664
Sundry income	**622**	989
	3,041	2,653

8. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Finance charges on obligations under finance leases	**72**	43
Interest on bank borrowings wholly repayable within five years	**1,500**	2,444
	1,572	2,487

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

9. PROFIT BEFORE TAXATION

	2007 HK$'000	2006 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
Current year	1,300	1,300
Overprovision in prior years	–	(1)
	1,300	1,299
Cost of inventories recognised as an expense	1,188,401	1,022,255
Depreciation		
Owned assets	16,107	15,519
Assets held under finance leases	145	499
	16,252	16,018
Write down of inventories	6,835	1,773
Net exchange loss	6,039	2,181
Directors' emoluments (note 11)	4,724	4,733
Retirement benefit scheme contributions (note 32)	2,078	1,361
Other staff costs	113,158	78,030
Total staff costs	119,960	84,124
Operating lease rentals in respect of rented premises	2,441	1,246
Other rental expenses	8,792	8,194
Research and development costs	1,134	1,749
Loss on disposal of property, plant and equipment	621	401
Bad debt written off	144	–
Impairment losses on trade debtors	289	105

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

10. TAXATION

	2007 HK$'000	2006 HK$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	8,270	7,990
Other jurisdictions	–	9
	8,270	7,999
Overprovision in respect of prior years		
Hong Kong Profits Tax	(71)	(162)
	8,199	7,837
Deferred taxation (note 28)		
Current year	554	(458)
	8,753	7,379

Hong Kong Profits Tax is calculated at 17.5% (2006: 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 the 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 the 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.

Pursuant to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16th March, 2007 and 6th December, 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprise is unified at 25% and is effective from 1st January, 2008.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

10. TAXATION *(Continued)*

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

	2007	2006
	HK$'000	HK$'000
Profit before taxation	**66,654**	57,708
Tax at Hong Kong Profits Tax rate of 17.5%	**11,664**	10,099
Tax effect of expenses not deductible for tax purpose	**1,095**	1,333
Tax effect of income not taxable for tax purpose	**(129)**	(283)
Overprovision in respect of prior years	**(71)**	(162)
Tax effect of deferred tax assets not recognised	**15**	21
Effect of tax relief granted to a subsidiary	**(4,030)**	(3,394)
Others	**209**	(235)
Taxation for the year	**8,753**	7,379

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

The emoluments paid or payable to each of the six (2006: seven) directors were as follows:

	Cheung Wah Keung HK$'000	Ip Wai Cheong, Ernest HK$'000	Wang Dong HK$'000	Feng Tian (note b) HK$'000	Goh Gen Cheung HK$'000	Lai Ming, Joseph HK$'000	Lam King Sun, Frankie HK$'000	Total HK$'000
2007								
Fees	–	–	–	–	240	240	240	720
Other emoluments								
Salaries and other benefits	1,877	1,277	609	–	–	–	–	3,763
Bonus (note a)	100	100	17	–	–	–	–	217
Retirement benefit scheme contributions	12	12	–	–	–	–	–	24
	1,989	1,389	626	–	240	240	240	4,724
2006								
Fees	–	–	–	–	240	240	240	720
Other emoluments								
Salaries and other benefits	1,780	1,188	567	90	–	–	–	3,625
Bonus (note a)	139	93	23	–	–	–	–	255
Retirement benefit scheme contributions	12	12	–	3	–	–	–	27
Share-based payments	–	106	–	–	–	–	–	106
	1,931	1,399	590	93	240	240	240	4,733

Notes: (a) 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, 2007 and 31st December, 2006 respectively.

(b) Feng Tian resigned as a director on 6th March, 2006.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2006: two) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2006: three) individuals were as follows:

	2007	2006
	HK$'000	HK$'000
Salaries and other benefits	**3,237**	2,337
Bonus	**270**	182
Retirement benefit scheme contributions	**21**	36
	3,528	2,555

Their emoluments were within the following bands:

	2007	2006
	Number of employees	Number of employees
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**3**	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.

12. DIVIDENDS

	2007	2006
	HK$'000	HK$'000
Dividend recognised as distribution during the year:		
Interim – HK1.6 cents per share (2006: HK1.5 cents)	**5,288**	4,551
Final – HK3.8 cents per share (2006: HK2.8 cents)	**12,560**	8,495
	17,848	13,046

The final dividend of HK3.9 cents (2006: HK3.8 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

13. 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:

	2007 HK$'000	2006 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year)	**57,901**	50,329

	2007 '000	2006 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**323,162**	303,109
Effect of dilutive potential ordinary shares:		
Share options		285
Weighted average number of ordinary shares for the purposes of diluted earnings per share		303,394

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2006	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
Additions	23,557	293	4,829	5,130	479	34,288
Disposals	(1,159)	–	(238)	–	–	(1,397)
Exchange adjustments	23	–	3	32	–	58
At 31st December, 2007	107,653	897	24,917	21,857	3,192	158,516
DEPRECIATION						
At 1st January, 2006	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
Provided for the year	10,127	141	2,928	2,762	294	16,252
Eliminated on disposals	(522)	–	(178)	–	–	(700)
At 31st December, 2007	53,158	594	15,297	11,760	2,526	83,335
CARRYING VALUES						
At 31st December, 2007	54,495	303	9,620	10,097	666	75,181
At 31st December, 2006	41,679	151	7,776	7,697	481	57,784

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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$1,519,000 (2006: HK$972,000) in respect of assets held under finance leases.

15. INVESTMENT IN AN ASSOCIATE

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

16. 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, 2007, 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.

17. INVENTORIES

	2007	2006
	HK$'000	HK$'000
Raw materials	**83,203**	70,059
Work in progress	**26,252**	39,582
Finished goods	**31,913**	25,722
	141,368	135,363

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

18. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	2007	2006
	HK$'000	HK$'000
Trade debtors	355,078	343,246
Less: impairment losses on trade debtors	(289)	(434)
	354,789	342,812
Other debtors, deposits and prepayments	11,109	16,752
	365,898	359,564

Included in Group's debtors are debtors with carrying amounts of HK$348,108,000 (2006: HK$327,095,000) and nil (2006: HK$487,000) which denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

The Group normally allows an average credit period of 30 days to 90 days (2006: 30 days to 90 days) to its trade customers, and may be further extended to selected customers depending on their trade volume and settlement with the Group.

The following is an aged analysis of trade debtors (net of impairment losses) at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
0 to 30 days	128,835	125,401
31 to 60 days	153,304	146,545
61 to 90 days	69,430	50,105
91 to 120 days	2,252	7,742
Over 120 days	968	13,019
	354,789	342,812

Included in the Group's trade debtor balances are debtors with aggregate carrying amounts of HK$8,772,000 (2006: HK$82,363,000) which are past due at the reporting date. The Group considers the amounts are recoverable, therefore, no impairment loss is considered necessary. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

18. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

Ageing of trade debtors which are past due but not impaired:

	2007	2006
	HK$'000	HK$'000
Less than 30 days	**6,627**	63,140
31 days to 90 days	**1,243**	14,912
91 days to 365 days	**902**	4,306
Over 356 days	**–**	5
Total	**8,772**	82,363

The balances that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered.

Movement in the impairment losses on trade debtors:

	2007	2006
	HK$'000	HK$'000
At 1 January	**434**	329
Impairment loss recognised	**289**	105
Uncollectible amounts written off	**(434)**	–
At 31 December	**289**	434

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 3.

19. PLEDGED BANK DEPOSITS

At 31st December, 2006, the amounts represented deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$1,161,000 had been pledged to secure short-term bank borrowings and are therefore classified as current assets. The remaining deposits amounting to HK$3,291,000 had been pledged to secure long-term borrowings and are therefore classified as non-current assets.

The deposits carried fixed interest rates ranging from 2.9% to 4.125% per annum. The pledged bank deposits were released in 2007.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

20. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at prevailing market interest rates which ranged from 1% to 2.5% (2006: 2.1% to 3.1%) per annum and certain short-term bank deposits carried fixed interest rates ranging from 2.9% to 4.6% (2006: 2.35% to 3.4%) per annum.

Included in the Group's bank balances are bank balances with carrying amounts of HK$144,912,000 (2006: HK$84,874,000) and HK$3,084,000 (2006: HK$3,735,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

21. TRADE CREDITORS AND ACCRUED CHARGES

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

	2007	2006
	HK$'000	HK$'000
0 to 30 days	**94,713**	73,677
31 to 60 days	**108,131**	82,680
61 to 90 days	**81,676**	68,145
91 to 120 days	**62,654**	48,190
Over 120 days	**21,438**	35,570
	368,612	308,262
Accrued charges	**34,638**	29,539
	403,250	337,801

The average credit period on purchases of goods is 90 days.

Included in the Group's creditors are creditors with carrying amounts of HK$127,289,000 (2006: HK$109,712,000) and HK$42,320,000 (2006: HK$31,300,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

22. BILLS PAYABLE

The following is an aged analysis of the bills payable, with maturity date of 90 days (2006: 90 days), at the respective balance sheet dates:

	2007 HK$'000	2006 HK$'000
0 to 30 days	929	1,159
31 to 60 days	799	6,151
61 to 90 days	2,706	2,540
	4,434	9,850

Included in the Group's bills payable are bills payable with a carrying amount of HK$4,434,000 (2006: nil) which is denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

23. AMOUNT DUE TO A RELATED COMPANY

The amount was 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 was of trading nature and was 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:

	2007 HK$'000	2006 HK$'000
0 to 30 days	–	11,326
31 to 60 days	–	3,141
	–	14,467

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**543**	111	**498**	110
In more than one year but not more than two years	**589**	–	**571**	–
	1,132	111	**1,069**	110
Less: future finance charges	**(63)**	(1)	**–**	–
Present value of lease obligations	**1,069**	110	**1,069**	110
Less: amount due for settlement within one year shown under current liabilities			**(498)**	(110)
Amount due for settlement after one year			**571**	–

The Group has leased certain of its plant and machinery under finance leases. The average lease term is 3 years (2006: 3 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.25% to 6.22% (2006: 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

25. BANK BORROWINGS

	2007 HK$'000	2006 HK$'000
Bank loans	**14,165**	43,447
Secured	**–**	34,447
Unsecured	**14,165**	9,000
	14,165	43,447
The maturity profile of the bank borrowings is as follows:		
On demand or within one year	**12,498**	38,241
More than one year, but not exceeding two years	**1,667**	3,539
More than two years, but not exceeding five years	**–**	1,667
	14,165	43,447
Less: Amount due within one year shown under current liabilities	**(12,498)**	(38,241)
Amount due after one year	**1,667**	5,206

Bank borrowings comprise:

	Effective interest rate (per annum)	Carrying amount 2007 HK$'000	Carrying amount 2006 HK$'000
Floating-rate borrowings:			
Secured HK$ bank loan at cost of fund + 1.25%	5.29%	**–**	15,000
Secured HK$ bank loan at Prime -1%	6.75%	**–**	4,447
Secured HK$ bank loan at HIBOR +1%	5.03125%	**–**	10,000
Secured HK$ bank loan at HIBOR + 1%	5.09375%	**–**	5,000
Unsecured HK$ bank loan at HIBOR + 0.7%	4.23%	**9,000**	–
Unsecured HK$ bank loan at Prime -1%	6.37%	**1,832**	–
Unsecured HK$ bank loan at HIBOR + 1%	5.47%	**3,333**	–
Unsecured HK$ bank loan at Prime – 2.9%	4.85%	**–**	9,000
		14,165	43,447

As at the balance sheet date, the Group has undrawn borrowing facilities of HK$116,566,000 (2006: HK$52,553,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

26. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1st January, 2006, 31st December, 2006 and 31st December, 2007	500,000,000	5,000
Issued and fully paid:		
At 1st January, 2006	300,000,000	3,000
Exercise of share options	3,397,500	34
At 31st December, 2006	303,397,500	3,034
Placement of new shares	27,120,064	271
At 31st December, 2007	330,517,564	3,305

The following changes in the share capital of the Company took place during the years ended 31st December, 2006 and 31st December, 2007:

(i) 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

26. SHARE CAPITAL OF THE COMPANY *(Continued)*

(ii) 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.

Immediately 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

27. 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.

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	Outstanding at 1st January, 2006	Exercised during the year ended 31st December, 2006	Outstanding at 31st December, 2006 & 31st December, 2007
				HK$			
Director	11.5.2005	11.5.2005 – 13.1.2006	14.1.2006 – 31.12.2007	0.01	3,397,500	(3,397,500)	–

In respect of the share option exercised during the year ended 31st December, 2006, the weighted average share price at the date of exercise was HK86 cents.

The estimated fair value of the Pre-IPO Share Option at the date of grant was HK$2,025,000 which was calculated using the Black-Scholes option pricing model.

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

(b) On 25th June, 2005, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company. The particulars of the Share Option Scheme are as follows:–

Purpose

To enable the Company to grant options to selected eligible participants as incentives or rewards for their contributions to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

27. SHARE OPTION SCHEME *(Continued)*

Equity-settled share options scheme *(Continued)*

(b) *(Continued)*

Eligible Participants

Eligible participants of the Share Option Scheme include:

(i) (a) any executive director or full time or part time employee of or any person who has accepted an employment offer (whether full time or part time) by; or

(b) any non-executive director (including independent non-executive director) or officer of; or

(c) any person who is seconded to work for and has devoted at least 40% of his time to the business of; or

(d) any business partner, agent, consultant or representative of

any member of the Group (the "Eligible Person"); and

(ii) any trust for the benefit of an Eligible Person or his immediate family members and a company controlled by an Eligible Person or his immediate family members.

Total number of ordinary shares available for issue

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not, in aggregate, exceed 33,051,756 ordinary shares, representing approximately 10% of the issued share capital of the Company as at the date of this annual report.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

27. SHARE OPTION SCHEME *(Continued)*

Equity-settled share options scheme *(Continued)*

(b) *(Continued)*

Maximum entitlement of each eligible participant

The maximum number of ordinary shares in respect of which options may be granted to each eligible participant in any 12-month period up to the date of grant is not permitted to exceed 1% of the ordinary shares in issue at the date of grant without prior approval from the Company's shareholders.

Any grant of options to any director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Where any grant of options to any substantial shareholder of the Company or any independent non-executive director or any of their respective associates would result in the total number of ordinary shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other schemes in any 12-month period up to and, including the date of grant to such person representing in aggregate over (i) 0.1% of the total ordinary shares then in issue and (ii) having an aggregate value, based on the closing price of the ordinary shares at the date of each offer, in excess of HK$5,000,000, then the proposed grant must be approved in accordance with the Rules Governing the Listing of Securities on SEHK, including by way of ordinary resolution of the shareholders in general meeting, if so required.

Period within which the ordinary shares must be taken up under a share option

Within 10 years from the date of grant of the share option or such shorter period as the board of directors of the Company determines at the time of grant.

Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting a share option, the board of directors of the Company will determine the minimum period(s), if any, for which a share option must be held before it can be exercised.

Amount payable on application or acceptance of the option

The board of directors of the Company may determine the amount, if any, payable on application or acceptance of the option and the period within which payments must or may be made. Upon acceptance of the option within 28 days from the date of the offer (or such other period as the board of directors of the Company may specify in the offer), the grantee shall pay the amount, if any, specified in the offer to the Company as consideration for the grant within such period as the Company shall specify.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

27. SHARE OPTION SCHEME *(Continued)*

Equity-settled share options scheme *(Continued)*

(b) *(Continued)*

Basis of determining the subscription price for the ordinary shares

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the board of directors of the Company and shall not be less than the highest of:

(i) the closing price of the ordinary shares as stated in SEHK's daily quotations sheet on the date of offer of that grant, which must be a business day;

(ii) the average of the closing prices per ordinary share as stated in SEHK's daily quotations sheet for the five business days immediately preceding the date of offer of that option; and

(iii) the nominal value of the ordinary shares.

Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 14th July, 2005, being the date the ordinary shares were listed on the SEHK.

No share option was granted under the Share Option Scheme in both years.

28. DEFERRED TAXATION

The followings 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, 2006	3,601
Credit to consolidated income statement for the year	(458)
At 31st December, 2006	3,143
Charge to consolidated income statement for the year	554
At 31st December, 2007	3,697

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

28. DEFERRED TAXATION *(Continued)*

At the balance sheet date, the Group has deductible temporary differences of HK$385,000 (2006: HK$326,000). 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.

29. NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of plant and machinery with a total capital value at the inception of the lease of HK$1,500,000.

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:

	2007 **HK$'000**	2006 HK$'000
Within one year	**2,675**	713
In the second to fifth years inclusive	**396**	581
	3,071	1,294

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease term of one to five years. The rentals of the lease contracts are fixed throughout the lease term.

31. CAPITAL COMMITMENTS

	2007 **HK$'000**	2006 HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**845**	2,028

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

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$2,102,000 (2006: HK$1,388,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

33. RELATED PARTY TRANSACTIONS

Apart from the current account with a related company as stated in note 23 above, the Group entered into the following transactions with a related company during the year:

Name of related company	Nature of transactions	2007 HK$'000	2006 HK$'000
Dongguan Guanman Acoustic Co. Ltd.	Trade purchases	**40,291**	72,982
	Trade sales	**260**	882
	Purchase of property, plant and equipment	**842**	–

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

Compensation of key management personnel

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

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**9,751**	7,380
Bonus	**662**	546
Retirement benefit schemes contributions	**102**	99
Share-based payment	**–**	106
	10,515	8,131

The remuneration of directors and key executives is recommended by the remuneration committee for approval by the board of directors having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

34. SUMMARISED BALANCE SHEET OF THE COMPANY

	2007 HK$'000	2006 HK$'000
Investment in a subsidiary	–	–
Amounts due from subsidiaries	198,257	178,307
Dividend receivable	21,000	20,000
Bank balances and cash	487	873
Other current assets	236	244
Other current liabilities	(658)	(641)
	219,322	198,783
Share capital	3,305	3,034
Reserves (note)	216,017	195,749
	219,322	198,783

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

34. SUMMARISED BALANCE SHEET OF THE COMPANY *(Continued)*

Note:

The Company's reserves movement 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					
At 1st January, 2006	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
Profit for the year	–	–	–	18,406	18,406
Placement of new shares	20,007	–	–	–	20,007
Shares issue expenses	(297)	–	–	–	(297)
Final dividend paid in respect of 2006	–	–	–	(12,560)	(12,560)
Interim dividend declared in respect of 2007	–	–	–	(5,288)	(5,288)
At 31st December, 2007	94,030	107,647	–	14,340	216,017

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31st December, 2007 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	HK$5,000,000	100%	Manufacturing of moulds, headphones and speakers related components
Crown Million Industries (International) Limited	Incorporated	Hong Kong	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$6,000,000	100%	Manufacturing of home theatre and automobiles speakers system

Note:

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

None of the subsidiary had any debt securities subsisted at 31st December, 2007 or at any time during the year.

Financial Summary

	Year ended 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	620,011	529,946	1,016,198	1,174,157	**1,364,536**
Profit for the year	48,772	40,865	45,441	50,329	**57,901**
Attributable to:					
Equity holders of the parent	43,936	40,315	45,432	50,329	**57,901**
Minority interests	4,836	550	9	–	**–**
	48,772	40,865	45,441	50,329	**57,901**

	At 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	333,979	297,398	654,303	675,154	**750,697**
Total liabilities	(231,236)	(188,721)	(429,494)	(412,767)	**(427,763)**
Shareholders' funds	102,743	108,677	224,809	262,387	**322,934**

Notes:

1. The Company was incorporated in the Cayman Islands on 26th January, 2005 and became the holding company of the Group with effect from 11th May, 2005 upon the completion of the Group Reorganisation as set out in the Company's prospectus dated 30th June, 2005.

2. The results of the Group for the two years ended 31st December, 2004 and the balance sheets of the Group at 31st December, 2003 and 31st December, 2004 have been prepared on a merger basis and are extracted from the Company's prospectus dated 30th June, 2005.

3. The results of the Group for the two years ended 31st December, 2007 and the balance sheets of the Group at 31st December, 2006 and 31st December, 2007 have been extracted from the audited consolidated financial statements of the Group as set out on pages 28 to 30.