Interim Report 2008

成謙聲匯控股有限公司

Shinhint Acoustic Link Holdings Limited

(Incorporated in 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

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

Management Discussion and Analysis

Business Review

For the six months ended 30th June, 2008, Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (the "Group") reported turnover of HK$493,409,000, representing an increase of 4% over the corresponding period of last year (2007 Interim: HK$474,049,000). The turnover is expected to improve during the remaining financial period.

In terms of gross profit, the Group recorded a figure of HK$54,906,000 for the period under review (2007 Interim: HK$60,525,000), while profit attributable to equity holders of the Company was HK$954,000 (2007 Interim: HK$12,145,000). The unsatisfactory performance was the result of significant increase in raw material prices and labor costs, compounded by the strong appreciation of the Renminbi during the period under review. While most customers agreed to absorb a portion of the increased costs, the impact will only be reflected in the second half of the year.

During the reporting period, the Group's multimedia peripheral business, which includes mostly portable speaker systems with amplifiers that are targeted towards portable sound sources, reported turnover of HK$193,716,000 (2007 Interim: HK$244,539,000). In relation to the communication peripheral business, which centers mainly on audio accessories for mobile handsets and Internet telephony, steady progress was made in this area of business, with turnover of HK$65,132,000 recorded (2007 Interim: HK$65,433,000). More positively, the newly launched entertainment peripheral products business, which comprise mostly of high acoustic quality stationary speaker systems with amplifiers (active systems) that compliment portable and stationary sound sources including MP3 devices, gaming consoles and desktop computers, was able to generate turnover of HK$168,348,000 (2007 Interim: HK$113,375,000) owing to highly favorable consumer interest.

Management Discussion and Analysis *(Continued)*

Prospects

Despite undergoing a challenging six-month period, sentiment among the Group's management remains positive. Importantly, the sharp rise in material costs looks set to stabilize, thus providing an environment that is more conducive for growth. Such stability will come at an opportune time as traditionally, two-thirds of the Group's overall income is secured during the second half of the year; hence, the Company will shrewdly look for opportunities to capitalize on its growth drivers amid improving conditions.

As part of its approach to enhancing financial health, the Group will coordinate efforts with players along the supply chain, working closely together and will also pass on a portion of increased costs to end customers to mitigate the impact of such costs on its operations. Furthermore, the Group will continue to bolster efficiency via such measures as investment in automatic insertion (AI) machines, ongoing integration of surface-mount technology (SMT), and greater automation of the speaker line – all of which will have the added benefit of reducing dependence on skilled labor.

The Group will also be unrelenting in its pursuit of opportunities to fuel the growth of its core businesses. In relation with the multimedia peripheral business, the continuing popularity of Internet and Wi-Fi associated products and portable entertainment devices provides growth avenues for the Group's acoustic accessories. Having recently launched two portable speaker systems for a highly popular American smartphone, the Group anticipates higher sales and revenue from these models in the coming months.

Management Discussion and Analysis *(Continued)*

Prospects *(Continued)*

The communication peripheral business also looks set to experience sales growth as the demand for Bluetooth wireless headsets continue to climb. While tapping demand by motorist – a major business segment – it will be the Group's ongoing ability to provide headsets with increased applications that offers future growth. Recognizing this, the Group has developed products featuring such capabilities as noise-cancellation, extended talk time, and multipoint connectivity.

As well, the Group will seek to integrate more applications to its entertainment peripheral products by adding features that are consistent with the needs of more discerning end users. Among the factors that the Group will consider in enhancing its product offerings is the trend among consumers to use workstations as extended entertainment centers, the popularity of MP3 products, and the increased availability of digital entertainment sources.

In addition to focusing on developing its Internet-related businesses, the Group will continue to explore new initiatives that extend beyond its existing strengths. Already, the Group's entry into the complete acoustic solutions segment, which includes provision of speaker drivers, has proven to be an unquestionable success. With applications in flat-panel TVs and the automotive sphere, this area of business recorded a sharp increase in turnover, and is continuing to attract new clients. Providing still greater optimism is the knowledge that such technologies can be applied to notebook computers and other hand held devices, thus offering still greater room for growth.

Looking beyond traditional markets has also enabled the Group to identify opportunities arising from the public's concern for environmental protection. In line with a change in lifestyle choices, the Group will develop products tailored towards the growing population of bicyclists.

Management Discussion and Analysis *(Continued)*

Prospects *(Continued)*

This foresight into exposing rising trends is also reflected in the Group's decision to adopt a new security system that is compliant with the latest China and US customs' controls. A joint development between the two agencies, the system is designed to ensure that dangerous substances which may be used by terrorists cannot enter and travel through the supply chain. As one of just three factories that passed the auditing process in China, the Group is thus in highly select company, standing in good stead for future transport requirements between the two nations.

Financial Review

Liquidity and Financial Resources

As at 30th June, 2008, the Group's net current assets were HK$244,086,000 (31st December, 2007: HK$252,710,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.1 as compared to 1.6 at last year end.

As at 30th June, 2008, the Group maintained a healthy cash level with cash and cash equivalents of HK$110,085,000 (31st December, 2007: HK$167,272,000) and unutilized banking facilities of HK$122,500,000 (31st December, 2007: HK$116,566,000). The Group had bank borrowings of HK$30,000,000 (31st December, 2007: HK$14,165,000) which represented an increase of HK$15,835,000 over last year end.

The gearing ratio of the Group increased to 9.6% from 4.4% as at 31st December, 2007. The ratio is computed by dividing total borrowings of HK$30,000,000 (2007: HK$14,165,000) by shareholders' equity of HK$311,704,000 (2007: HK$322,934,000).

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

Management Discussion and Analysis *(Continued)*

Financial Review *(Continued)*

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 of directors (the "Board") believes that the Group will have sufficient foreign exchange reserves to match necessary requirements. Part of the 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 30th June, 2008, the Group had no material contingent liabilities.

Human Resources

As at 30th June, 2008, the Group employed a total of approximately 5,900 employees (30th June, 2007: 5,200) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$64,419,000 (30th June, 2007: HK$45,985,000). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration package and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Management Discussion and Analysis *(Continued)*

Interim Dividend

The Board has declared an interim dividend of HK1.2 cents per share for the six months ended 30th June, 2008 (2007 interim dividend: HK1.6 cents). The interim dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 9th October, 2008. It is expected that the interim dividend will be paid on or about 17th October, 2008.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 6th October, 2008 to Thursday, 9th October, 2008 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 3rd October, 2008.

By order of the Board
Cheung Wah Keung
Chairman and Chief Executive Officer

Hong Kong, 19th September, 2008

Corporate Governance and Other Information

Compliance with the Code on Corporate Governance Practices

The Company has, throughout the six months ended 30th June, 2008, applied and complied with the principles in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviation from CG Code provision A.2.1, which stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the six months ended 30th June, 2008, Mr. Cheung Wah Keung is the Chairman, the Chief Executive Officer and an Executive Director of the Company. The Board considers that, given the Group's current stage of development, vesting the roles of Chairman and Chief Executive Officer in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board considers that further separation of the roles of Chairman and Chief Executive Officer is not necessary for the time being. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. On specific enquiry made, all the directors of the Company have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2008.

Corporate Governance and Other Information *(Continued)*

Audit Committee

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

The interim results of the Group for the six months ended 30th June, 2008 have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2008.

Purchase, Sale or Redemption of Shares

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

Corporate Governance and Other Information *(Continued)*

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

As at 30th June, 2008, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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%

Notes:

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

(2) 152,655,473 shares were held by Pro Partner Developments Limited ("Pro Partner"), a company wholly owned by Mr. Cheung Wah Keung.

Save as disclosed above, as at 30th June, 2008, none of the directors and the chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information *(Continued)*

Share Option Scheme

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

No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme during the six months ended 30th June, 2008.

No share option granted under the Share Option Scheme was outstanding as at 1st January, 2008 and 30th June, 2008 respectively.

Substantial Shareholders' Interests

As at 30th June, 2008, 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	19,872,000	6.01%

Corporate Governance and Other Information *(Continued)*

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) 16,638,000 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 3,234,000 shares held beneficially, Mr. David Michael Webb is deemed to be interested in 19,872,000 shares in the Company.

Save as disclosed above, as at 30th June, 2008, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the shares, underlying shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

Report on Review of Interim Financial Information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SHINHINT ACOUSTIC LINK HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 30 which comprises the condensed consolidated balance sheet of Shinhint Acoustic Link Holdings Limited as of 30th June, 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
19th September, 2008

Condensed Consolidated Income Statement

For the six months ended 30th June, 2008

	NOTES	Six months ended 30th June, 2008 HK$'000 (Unaudited)	2007 HK$'000 (Unaudited)
Revenue	3	**493,409**	474,049
Cost of sales		**(438,503)**	(413,524)
Gross profit		**54,906**	60,525
Other income		**1,559**	1,085
Selling and distribution costs		**(8,787)**	(9,761)
Administrative expenses		**(45,419)**	(36,299)
Finance costs		**(192)**	(1,038)
Profit before taxation	5	**2,067**	14,512
Income tax expense	6	**(1,114)**	(2,367)
Profit for the period		**953**	12,145
Attributable to:			
– Equity holders of the Company		**954**	12,145
– Minority interests		**(1)**	–
		953	12,145
Dividend paid	7	**12,890**	12,560
		HK cents	HK cents
Earnings per share	8		
– Basic		**0.29**	3.85
– Diluted		**N/A**	N/A

Condensed Consolidated Balance Sheet

At 30th June, 2008

	NOTES	30th June, 2008 HK$'000 (Unaudited)	31st December, 2007 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**71,478**	75,181
Club membership		**978**	978
		72,456	76,159
Current assets			
Inventories		**149,647**	141,368
Trade debtors, deposits and prepayments	10	**211,714**	365,898
Bank balances and cash		**110,085**	167,272
		471,446	674,538
Current liabilities			
Trade creditors and accrued charges	11	**195,418**	403,250
Bills payable	12	**–**	4,434
Tax liabilities		**2,262**	1,148
Obligations under finance leases – due within one year		**513**	498
Bank borrowings – due within one year	13	**29,167**	12,498
		227,360	421,828
Net current assets		**244,086**	252,710
Total assets less current liabilities		**316,542**	328,869
Capital and reserves			
Share capital	14	**3,305**	3,305
Reserves		**308,399**	319,629
Equity attributable to equity holders of the Company		**311,704**	322,934
Minority interests	15	**–**	–
		311,704	322,934
Non-current liabilities			
Obligations under finance leases – due after one year		**308**	571
Bank borrowings – due after one year	13	**833**	1,667
Deferred tax liabilities		**3,697**	3,697
		4,838	5,935
		316,542	328,869

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30th June, 2008

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total equity attributable to equity holders of the Company HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2007 (audited)	3,034	74,320	4,950	450	179,633	262,387	–	262,387
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	143	–	143	–	143
Profit for the period	–	–	–	–	12,145	12,145	–	12,145
Total recognised income for the period	–	–	–	143	12,145	12,288	–	12,288
Placement of new shares	271	20,007	–	–	–	20,278	–	20,278
Shares issue expenses	–	(232)	–	–	–	(232)	–	(232)
Dividend paid	–	–	–	–	(12,560)	(12,560)	–	(12,560)
At 30th June, 2007 (unaudited)	3,305	94,095	4,950	593	179,218	282,161	–	282,161
At 1st January, 2008 (audited)	**3,305**	**94,030**	**4,950**	**963**	**219,686**	**322,934**	**–**	**322,934**
Exchange differences arising on translation of foreign operations recognised directly in equity	**–**	**–**	**–**	**706**	**–**	**706**	**–**	**706**
Profit for the period	**–**	**–**	**–**	**–**	**954**	**954**	**(1)**	**953**
Total recognised income for the period	**–**	**–**	**–**	**706**	**954**	**1,660**	**(1)**	**1,659**
Contribution from minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Dividend paid	**–**	**–**	**–**	**–**	**(12,890)**	**(12,890)**	**–**	**(12,890)**
At 30th June, 2008 (unaudited)	**3,305**	**94,030**	**4,950**	**1,669**	**207,750**	**311,704**	**–**	**311,704**

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2008

	Six months ended 30th June, 2008 HK$'000 (Unaudited)	2007 HK$'000 (Unaudited)
Net cash (used in) from operating activities	**(56,136)**	66,275
Investing activities		
Purchase of property, plant and equipment	**(4,956)**	(10,249)
Proceeds on disposal of property, plant and equipment	**28**	51
Increase in pledged bank deposits	**–**	(3,102)
Interest received	**1,022**	875
Net cash used in investing activities	**(3,906)**	(12,425)
Financing activities		
Dividend paid	**(12,890)**	(12,560)
Repayment of bank loans	**(11,665)**	(27,123)
Interest paid	**(192)**	(1,038)
Repayment of obligations under finance leases	**(248)**	(303)
Proceeds on issue of shares	**–**	20,278
Shares issue expenses	**–**	(232)
New bank loans raised	**27,500**	–
Contribution from minority interests	**1**	–
Net cash from (used in) financing activities	**2,506**	(20,978)
Net (decrease) increase in cash and cash equivalents	**(57,536)**	32,872
Cash and cash equivalents at beginning of the period	**167,272**	117,013
Effect of foreign exchange rate changes	**349**	116
Cash and cash equivalents at end of the period, represented by bank balances and cash	**110,085**	150,001

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

1. Basis of Preparation

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

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2008.

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

2. Principal Accounting Policies *(Continued)*

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[3]

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

2. Principal Accounting Policies *(Continued)*

HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[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 July, 2008

[4] Effective for annual periods beginning on or after 1st October, 2008

3. Revenue

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

4. Segmental Information

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

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

4. Segmental Information *(Continued)*

The Group's revenue and profit for the six months ended 30th June, 2008 and 30th June, 2007 by business segment are as follows:

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Audio products HK$'000	Others HK$'000	Total HK$'000
Six months ended 30th June, 2008						
REVENUE						
External sales	**65,132**	**193,716**	**168,348**	**9,487**	**56,726**	**493,409**
RESULT						
Segment result	**1,381**	**1,096**	**105**	**64**	**573**	**3,219**
Unallocated other income						**1,559**
Unallocated corporate expenses						**(2,519)**
Finance costs						**(192)**
Profit before taxation						**2,067**
Income tax expense						**(1,114)**
Profit for the period						**953**
Six months ended 30th June, 2007						
REVENUE						
External sales	65,433	244,539	113,375	6,125	44,577	474,049
RESULT						
Segment result	5,327	6,202	4,235	175	498	16,437
Unallocated other income						1,085
Unallocated corporate expenses						(1,972)
Finance costs						(1,038)
Profit before taxation						14,512
Income tax expense						(2,367)
Profit for the period						12,145

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

5. Profit Before Taxation

	Six months ended 30th June,	
	2008	2007
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	**8,901**	7,747
Loss on disposal of property, plant and equipment	**87**	153
Write down of inventories	**141**	1,109
Interest income	**(1,022)**	(875)

6. Income Tax Expense

	Six months ended 30th June,	
	2008	2007
	HK$'000	HK$'000
Current tax for the period		
Hong Kong	**1,114**	2,607
Deferred tax for the period	**–**	(240)
	1,114	2,367

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

6. Income Tax Expense *(Continued)*

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current tax for the six months ended 30th June, 2008. The estimated average annual tax rate used for the six months ended 30th June, 2008 is 16.5% (six months ended 30th June, 2007: 17.5%). The change in tax rate has no material impact on deferred tax balances.

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

7. Dividend Paid

During the period ended 30th June, 2008, a dividend of HK3.9 cents per share (six months ended 30th June, 2007: HK3.8 cents) was paid to shareholders as the final dividend for 2007.

The directors have determined that an interim dividend of HK1.2 cents per share (six months ended 30th June, 2007: HK1.6 cents per share) should be paid to the shareholders of the Company whose names appear in the register of members on 9th October, 2008.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

8. Earnings Per Share

The calculation of the basic earnings per share attributable to the equity holder of the Company is based on the following data:

	Six months ended 30th June,	
	2008	2007
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the period attributable to the equity holders of the Company)	**954**	12,145

	30th June, 2008	30th June, 2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**330,517,564**	315,683,938

No diluted earnings per share is presented for both periods because there is no potential ordinary shares outstanding throughout both periods.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

9. Property, Plant and Equipment

During the period, the Group's acquisition of property, plant and equipment amounted to HK$4,956,000 (six months ended 30th June, 2007: HK$11,749,000).

10. Trade Debtors, Deposits and Prepayments

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

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

	30th June, 2008 HK$'000	31st December, 2007 HK$'000
0 to 30 days	**76,432**	128,835
31 to 60 days	**78,804**	153,304
61 to 90 days	**31,700**	69,430
91 to 120 days	**3,286**	2,252
Over 120 days	**1,112**	968
	191,334	354,789
Other debtors, deposits and prepayments	**20,380**	11,109
	211,714	365,898

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

11. Trade Creditors and Accrued Charges

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

	30th June, 2008 HK$'000	31st December, 2007 HK$'000
0 to 30 days	**78,804**	94,713
31 to 60 days	**43,419**	108,131
61 to 90 days	**25,932**	81,676
91 to 120 days	**10,235**	62,654
Over 120 days	**3,728**	21,438
	162,118	368,612
Accrued charges	**33,300**	34,638
	195,418	403,250

12. Bills Payable

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

	30th June, 2008 HK$'000	31st December, 2007 HK$'000
0 to 30 days	**–**	929
31 to 60 days	**–**	799
61 to 90 days	**–**	2,706
	–	4,434

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

13. Bank Borrowings

	30th June, 2008 HK$'000	31st December, 2007 HK$'000
The maturity of the bank borrowings is as follows:		
On demand or within one year	**29,167**	12,498
More than one year, but not exceeding two years	**833**	1,667
	30,000	14,165
Less: Amount due within one year shown under current liabilities	**(29,167)**	(12,498)
Amount due after one year	**833**	1,667

14. Share Capital

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 31st December, 2007 and 30th June, 2008	500,000,000	5,000
Issued and fully paid:		
At 31st December, 2007 and 30th June, 2008	330,517,564	3,305

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

15. Minority Interests

On 5th May, 2008, Eagle Station Investments Limited ("Eagle Station"), a wholly owned subsidiary of the Company, entered into an agreement (the "Agreement") with founders of Tommyca Hong Kong Limited ("Tommyca"). Tommyca is a company newly incorporated in Hong Kong and at the date of the Agreement, Tommyca has not yet commenced business and only has insignificant cash balances. As at 30th June, 2008, Tommyca's principal activity is trading of acoustic devices for bicycles. Pursuant to the Agreement, Eagle Station agreed to advance HK$7,800,000 interest bearing loan to Tommyca in 6 tranches starting from May 2008. In addition, Eagle Station has the right to subscribe for convertible notes of Tommyca with an aggregate principal amount of HK$5,460,045 from 1st May, 2008 to 1st September, 2009. If such convertible notes were subscribed, Eagle Station is entitled to convert the convertible notes into shares of Tommyca, in whole or in part, up to 51% of the issued share capital of Tommyca as enlarged by the full conversion of the convertible notes, at any time on or before the third anniversary of the date of issuance of the convertible notes.

In accordance with the Agreement, Eagle Station has the power to cast the majority of votes of the board of directors. Since the Group had the ability to exercise control over Tommyca, Tommyca had been consolidated as a subsidiary of the Group. Minority interests in the balance sheet consisted of all the issued shares in Tommyca held by the founders and the share of the loss of Tommyca for the period which was limited to the investments made by the founders.

16. Capital Commitments

At 30th June, 2008, the Group had commitments for capital expenditure of approximately HK$5,497,000 (31st December, 2007: HK$845,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 30th June, 2008

17. Related Party Transactions

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

Name of related party	Nature of transactions	Six months ended 30th June, 2008 HK$'000	2007 HK$'000
Dongguan Guanman Acoustic Co. Ltd.	Trade purchases	–	35,058
	Trade sales	–	369
	Purchase of property, plant and equipment	–	842
Directors and key management	Remuneration	**4,982**	4,353

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

18. Post Balance Sheet Event

Subsequent to the period ended on 30th June, 2008, Eagle Station subscribed the convertible notes of Tommyca on 31st July, 2008. On 1st August, 2008, Eagle Station exercised its right to convert the convetible notes into shares of Tommyca representing 51% of the enlarged issued share capital of Tommyca.