成謙聲匯控股有限公司

Shinhint Acoustic Link Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

Annual Report 2008

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Cheung Wah Keung *(Chairman of the Board)*
Mr. Ip Wai Cheong, Ernest
Mr. Wong Sau Lik, Weeky Peter

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

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 Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
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
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

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

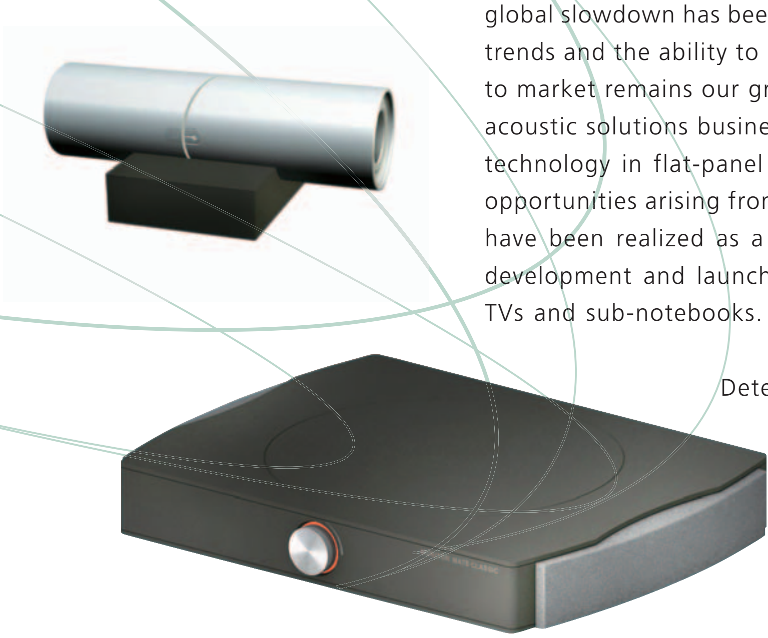
Dear Shareholders,

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, 2008 of the Company and its subsidiaries (the "Group").

Cheung Wah Keung
Chairman of the Board

The latest financial year has been among the most challenging that the Group has experienced. Having been confronted with significant increases in raw material prices and labor costs, appreciation of the Renminbi, and erosion in consumer confidence towards the final quarter of 2008 as the global financial crisis took hold; these were among the factors that made the operating environment highly complex.

Despite the seemingly gloomy picture painted, we were able to maintain turnover at a similar level as last year, though operating profit was seriously hindered by the aforementioned factors. Helping mitigate the impact of the global slowdown has been our adaptability. Our early identification of market trends and the ability to quickly develop and deliver innovative technologies to market remains our greatest strength. A perfect example is our complete acoustic solutions business. Specifically, the application of Balance Radiator technology in flat-panel TVs has been most timely, allowing us to capture opportunities arising from digital broadcasting. Still other opportunities that have been realized as a result of management foresight include the early development and launch of peripheral products for 3G smartphones, LCD TVs and sub-notebooks.



Determined to stay in the forefront of electro-acoustic technologies, we will continue to direct energies towards research and development as well as capitalize on our strong relations with leading industry players to co-develop new products, and thus continue to distance ourselves from the competition.

Chairman's Statement

Though the current economic climate is perceived as a period requiring fiscal austerity, our view is that this is a period for fiscal foresight. Hence, we will continue to make investments in automation in order to enhance our production efficiencies; we will continue to invest in research and development as this is essential for the birth of new products; and we will continue to invest in people as a strong talent pool is essential for realizing future objectives.

On behalf of the Board, I would like to extend my gratitude to our business partners and shareholders for their ongoing support. The management team and all staff members are equally deserving of praise for their diligence and dedication to the Group. As we continue to work together in the coming year, I am confident that our joint efforts will reap the results deserving of an unwavering commitment to overcoming all challenges.

Cheung Wah Keung
Chairman of the Board

17th April, 2009

Management Discussion and Analysis

Market Review

The economic climate deteriorated rapidly in the second half of 2008 as aftershocks from the global financial crisis began to be felt around the world. Consequently, public enthusiasm for personal electronic products, including desk top Personal Computers, MP3 players and mobile phones quickly dampened. Nevertheless, demand for innovative consumer electronic products that offers significant consumer value remained relatively stable, i.e. 3G smartphones, laptops and sub-notebooks (netbooks). Accordingly, electro-acoustic peripheral products tailored for these popular devices continued to generate satisfactory sales. Meanwhile, helping spur interest in flat-panel TVs and digital home entertainment was widespread Digital Over-the-Air (terrestrial) broadcasting in the United States and Europe. As a result, associated accessories benefited from this development.

Directly affecting the Group's results during the year was the drastic increase in labor and material costs as well as strong Renminbi appreciation. While such costs stabilized towards the last quarter, and a portion of cost increases was passed on to customers, an erosion of results was nonetheless experienced.

Business Review

Constantly seeking to enhance the Group's competitiveness, particularly amidst increasingly complex market conditions, efforts were directed towards research and development of new products and turn-key solutions based on management's assessment of market trends. Specifically, development work on electro-acoustic peripherals for 3G smartphones, LCD TVs and sub-notebook PCs (netbooks) continued unabated. At the same time, the Group has completed its withdrawal from the shrinking and highly competitive home audio segment. It has been management's ability to correctly forecast consumption trends and quickly deliver products to market that has enabled the Group to perform satisfactorily despite being confronted with declining consumer confidence.

In terms of geographical coverage, Europe continued to represent the Group's largest market, accounting for 54% of sales. The United States, despite being most severely affected by the financial downturn, particularly towards the final quarter of 2008, remained the Group's second largest market.

The multi-media peripheral business, representing largely portable speaker systems equipped with amplifiers, achieved segmental turnover of HK$663,342,000 (2007: HK$700,904,000). The decline reflected a slowing down in demand for portable personal multi-media players in general. Nevertheless, the drop in sales of MP3 speaker systems during the second half of the year was partially compensated by the turnover generated from the speaker systems dedicated for a highly popular American 3G smartphone. In addition, riding on the increasing popularity of sub-notebook PCs, the Group started shipment of speaker systems tailor-designed for sub-notebook users towards the last quarter of the year.

Consisting of high acoustic quality stationary speaker systems with amplifiers, the Group's entertainment peripheral products are aimed at both portable and stationary sound sources including MP3 devices, gaming consoles and desktop computers. Unfortunately, this higher-end business segment proved to be vulnerable to the economic slump. Shipments slowed down significantly in the third and fourth quarters, resulting in a year-on-year decline in segmental turnover of 4% to HK$346,551,000 (2007: HK$362,188,000).

Management Discussion and Analysis

Business Review *(Continued)*

The communication peripheral business, which encompasses audio accessories for mobile handsets and telephony as well as Bluetooth wireless headsets, continued to deliver steady returns. Owing to ongoing take-up of wireless headset devices by motorists and further penetration of the internet telephony market in Europe and the United States, the Group recorded segmental turnover of HK$160,894,000, up from HK$156,885,000 last year. The Group will continue to allocate resources to the development of communication peripheral products in view of the popularization of multi-media mobile handsets, as well as the ever growing use of VoIP via the Internet.

In addition to its internet-related businesses, the Group's revenues in the "Others" business segment, which consists mainly of unit speaker drivers, complete acoustic solutions and open model businesses, continued to increase at a satisfactory rate. Though the demand for speaker drivers from the automotive segment softened during the year, this was compensated by demand from customers in the flat-panel TV sector. Consequently, the Group recorded turnover of HK$188,704,000 in contrast with HK$144,559,000 a year earlier. The Group has continued to utilize its research and development strength to develop more complete acoustic solutions and open models so as to extend applications beyond its current spheres.

Financial Review

Results Performance

For the year ended 31st December, 2008, despite the challanging global economic environment, increased operational costs and Renminbi appreciation, the Group is able to maintain turnover at HK$1,359,491,000 (2007: HK$1,364,536,000) while gross profit dipped by 14% and net profit attributable to equity holders of the Company declined by 46%.

During the year, basic earnings per share reached approximately HK cents 9.5. The Board recommended the payment of a final dividend of HK cents 4.3 per share for the year ended 31st December, 2008. Together with the interim dividend of HK cents 1.2 per share already paid, total dividends for the year amounted to HK cents 5.5 per share.

Liquidity and Financial Resources

As at 31st December, 2008, the Group maintained a healthy cash level with net cash and cash equivalents of HK$80,269,000 (2007: HK$153,107,000) and unutilized banking facilities of HK$81,923,000 (2007: HK$116,566,000). The decline in the Group's cash position was due to early settlements made to suppliers so as to benefit from discounts offered. The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.7 compared with 1.6 in 2007.

The Group's gearing ratio rose from 4.4% to 9.0% as at 31st December, 2008. The ratio was calculated by dividing total borrowings of HK$30,167,000 (2007: HK$14,165,000) by shareholders' equity of HK$334,270,000 (2007: HK$322,934,000).

Management Discussion and Analysis

Financial Review *(Continued)*

Share Capital

During the year, the Company had repurchased a total of 8,224,000 shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of HK$3,841,180. All of the shares repurchased had been cancelled during the year. The repurchases were made by the Directors, pursuant to the mandate granted by the shareholders, with a view to benefit the Company and the shareholders as a whole in the enhancement of the net assets per share and earnings per share.

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 towards 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 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, 2008, the Group had no material contingent liabilities.

Pledge on the Group's Assets

As at 31st December, 2008, no bank deposits had been pledged to secure the Group's banking facilities.

Prospects

The operating environment is expected to remain challenging as consumers will be cautious about their spending. Only products which deliver real value will be successful. The Group will closely monitor consumption trends to develop products that satisfy consumers' needs while at the same time integrate the latest technologies available.

Having accurately assessed developing trends, specifically, the growing popularity of 3G smartphones, LCD TVs and netbooks, the Group aims to make further inroads in these segments with the design, development and launch of more innovative electro-acoustic peripheral products. Having seen rising public interest in maintaining a healthy, active lifestyle, which has resulted in widespread popularity of bicycling, hiking, and other outdoor activities; management aims to tap this latest trend as well. Already, the Group has launched a multi-media product near the end of the year aimed squarely at recreational bicyclists. Still other technologies, not just related with acoustics, will possibly be adopted as the Group continues to explore this avenue of business.

Management Discussion and Analysis

Prospects *(Continued)*

In addition to possessing foresight in identifying consumer trends, management has been adept at detecting the changing dynamics of the supply chain. Accordingly, the Group will be looking at ways to best exploit its knowledge of this network to drive growth.

While fully determined to enhance the all-round capabilities of the Group, develop and deliver new technologies that address the latest trends and strengthen its position in core businesses, management remains conscious of its duty as a responsible business. Accordingly, energy conservation, development of energy-efficient products and the cost-effective use of resources are among the areas that management is determined to make progress on. Furthermore, the Group continues to invest in human resources particularly in research and development to sustain long term success of the business. While all of these endeavors are consistent with being a good corporate citizen, such efforts also make good business sense.

Employees

As at 31st December, 2008, the Group's work force totaled approximately 5,800 (2007: approximately 5,400) in Hong Kong and the People's Republic of China (the "PRC") collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$146,019,000 (2007: HK$115,236,000). 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, 2008, 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, except for the deviation as stated in paragraph headed "Chairman and Chief Executive Officer" below.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. On specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the year ended 31st December, 2008.

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 as at the date of this annual report were:

Executive Directors

Mr. Cheung Wah Keung *(Chairman)*
Mr. Ip Wai Cheong, Ernest
Mr. Wong Sau Lik, Weeky Peter

Independent Non-Executive Directors

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

Board of Directors *(Continued)*

Composition *(Continued)*

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 19 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 appropriate. 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.

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.

Corporate Governance Report

Board of Directors *(Continued)*

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.

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	**4**	**2**	**3**
Executive Directors			
Mr. Cheung Wah Keung	4	N/A	3
Mr. Ip Wai Cheong, Ernest	4	N/A	N/A
Mr. Wang Dong*	1	N/A	N/A
Independent Non-Executive Directors			
Mr. Lai Ming, Joseph	4	2	3
Dr. Lam King Sun, Frankie	4	2	3
Mr. Goh Gen Cheung	4	2	3

* Resigned on 11th May, 2008

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 30th May, 2008. In March 2009, the Board has approved the appointment of an Executive Director.

Corporate Governance Report

Board Committees

The Board has established two committees, namely Audit Committee and 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 2008 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 2008, the work performed by the Audit Committee included:

– reviewing the consolidated financial statements for the year ended 31st December, 2007 and the annual results announcement;

– reviewing the interim consolidated financial statements for the six months ended 30th June, 2008 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, 2008 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. The Remuneration Committee is chaired by Dr. Lam King Sun, Frankie.

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 three times in the year 2008 with all committee members attended the meetings. During the meetings, the Remuneration Committee reviewed the remuneration packages for all Executive Directors and senior management, the employees' salary increments proposal and made recommendations to the Board on the terms of the service contracts of all Executive Directors. 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, 2008 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, 2008 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, 2008, services provided to the Company by its external auditor, Messrs. Deloitte Touche Tohmatsu, and the respective fees paid were:

	2008	2007
	HK$	HK$
Audit services	**1,300,000**	1,300,000
Other non-audit services	**395,000**	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.

Investor Relations and Communication with Shareholders *(Continued)*

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 48, 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 17 years of experience in management of trading and manufacture of consumer electronic products. Mr. Cheung has been elected an awardee of the Young Industrialist Awards of Hong Kong 2005 by the Federation of Hong Kong Industries. 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 50, 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. Ip has tendered his resignation as an Executive Director with effect from the conclusion of the forthcoming annual general meeting. He, although eligible, has also informed the Board his intention of not seeking re-election and will retire from the Board with effect from the conclusion of the forthcoming annual general meeting.

Mr. Wong Sau Lik, Weeky Peter, aged 46, has been an Executive Director of the Company since 23rd March, 2009. Mr. Wong has over 22 years of working experience in international sales and marketing during which more than 10 years of experience in corporate management. He holds a Master of Business Administration (Executive) from the City University of Hong Kong and a Higher Diploma in Mechanical Engineering from The Hong Kong Polytechnic University, formerly The Hong Kong Polytechnic. Mr. Wong has been elected an awardee of the Young Industrialist Awards of Hong Kong 2001 by the Federation of Hong Kong Industries. Prior to joining the Company and until October 2005, Mr. Wong was an executive director of Fujikon Industrial Holdings Limited overseeing the implementation of corporate strategy and overall business development.

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 64, 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 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 48, has been an Independent Non-Executive Director of the Company since June 2005. He has over 21 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 62, 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, 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 Karce International Holdings Company Limited until 8th February, 2009.

Senior Management

Dr. Ching Boon Huat, aged 48, 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.

Ms. Cheng Ching Man, aged 41, 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 20 years of experience in auditing, accounting and corporate financial management.

Mr. Chan Yick Fung, aged 42, joined the Group in April 2005 and is the chief technical officer of Shinhint Industries. 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. Fan Kai Yiu, aged 45, 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.

Biographical Details of Directors and Senior Management

Senior Management *(Continued)*

Mr. Tang Chung Hong, Philip, aged 48, joined the Group in July 1996 and is the director of business development of Shinhint Industries. Prior to taking up his current position, Mr. Tang had been 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 48, joined the Group in September 1995 and is the director of business development of CMI. Mr. Leung has approximately 12 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.

Mr. Yue Kam Fai, Stanedy, aged 41, joined the Group in January 2008 and is the director of business development of Shinhint Industries. Prior to joining the Group, he worked in Wal-Mart Global Procurement, Philips Electronics HK Limited, Elec & Eltek and Wong's Circuits (PTH) Limited. Mr. Yue graduated from The Hong Kong Polytechnic University with Distinction in Higher Diploma in Chemical Technology in 1991. He is a qualified European Foundation of Quality Management (EFQM) assessor and Lead assessor on Philips Supplier Certification Program.

Mr. Lo Ka Shun, aged 45, joined the Group in August 2008 and is the director of product development of Shinhint Industries. Prior to joining the Group, he worked in Logitech Group responsible for project management and engineering functions. He has over 20 years experience in project management, finished goods sourcing and supplier basis management, mechanical design and industrial engineering. Mr. Lo earned a Bachelor of Science degree in engineering from the National Taiwan University and a Master of Science degree in precision engineering from The Hong Kong Polytechnic University in 1988 and 1996 respectively.

Mr. Wang Dong, aged 50, joined the Group in 2001 and is the director of Tai Sing Industrial Company Limited ("Tai Sing"), an indirect wholly owned subsidiary of the Company, responsible for plastic and tooling production. Prior to joining the Group, 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.

Mr. Su Zhiyong, aged 37, joined the Group in 1994 and is the director Tai Sing responsible for production, engineering, and human resources and administration. Mr. Su graduated from the University of Continuing Education of the Guangdong Provincial Party School majoring in administration and management in 2000 and graduated from the Advance Level Research Class, Selected Course of the MBA for Managers in Office of Sun Yat-Sen University in 2003.

Mr. Liang Hao, aged 32, joined the Group in September 1999 and is the director of Tai Sing responsible for supply chain management. Mr. Liang has over 9 years of experience in logistic operation and raw materials sourcing management. Mr. Liang graduated from the South China University of Technology in July 1999.

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, 2008.

Principal Activities

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 34 to the consolidated financial statements.

Results and Appropriations

The results for the year ended 31st December, 2008 are set out in the consolidated income statement on page 28.

An interim dividend of HK cents 1.2 per share was paid during the year. The Directors have recommended the payment of a final dividend of HK cents 4.3 in cash per share, to the shareholders on the register of members on 27th May, 2009, 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, 2008 are set out in note 24 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 15 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 25 to the consolidated financial statements.

Report of the Directors

Directors

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

Executive Directors
Mr. Cheung Wah Keung *(Chairman)*
Mr. Ip Wai Cheong, Ernest
Mr. Wong Sau Lik, Weeky Peter *(Appointed on 23rd March, 2009)*
Mr. Wang Dong *(Resigned on 11th May, 2008)*

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

In accordance with Article 87 of the Company's Articles of Association, Mr. Ip Wai Cheong, Ernest and Dr. Lam King Sun, Frankie will retire by rotation at the forthcoming annual general meeting, and being eligible, Dr. Lam King Sun, Frankie will offer himself for re-election. Mr. Ip Wai Cheong, Ernest has tendered his resignation as an Executive Director with effect from the conclusion of the forthcoming annual general meeting. He, although eligible, has also informed the Board his intention of not seeking re-election and will retire from the Board with effect from the conclusion of the forthcoming annual general meeting.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Wong Sau Lik, Weeky Peter will retire at the forthcoming annual general meeting and, being eligible, will offer himself 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, 2008, 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	47.37%
	Beneficial owner	6,156,000	1.91%
Ip Wai Cheong, Ernest	Beneficial owner	4,698,302	1.46%

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, 2008, 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 26 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, 2008.

Substantial Shareholders' Interests

As at 31st December, 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	158,811,473	49.28%
Martin Currie (Holdings) Limited[3]	Interest of controlled corporations	42,076,000	13.06%
David Michael Webb[4]	Beneficial owner and interest of a controlled corporation	19,872,000	6.17%
Cheng Yu Tung Family (Holdings) Limited[5]	Interests of controlled corporations	16,500,000	5.12%
Liberty New World China Enterprises Investments, LP[6]	Interests of controlled corporations	16,500,000	5.12%

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. By virtue of the SFO, Mr. Cheung Wah Keung is deemed to be interested in all the shares held by Pro Partner. Together with 6,156,000 shares held beneficially, Mr. Cheung Wah Keung is deemed to be interested in 158,811,473 shares in the Company. 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. By virtue of the SFO, Martin Currie (Holdings) Limited is deemed to be interested in all shares held by Martin Currie Inc. and Martin Currie Investment Management Limited, totaling 42,076,000 shares in the Company.

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.

5. 16,500,000 shares were held by Lucky Merit Holdings Limited, a wholly owned subsidiary of New World Liberty China Ventures Ltd., which in turn was a 50%-owned subsidiary of New World China Enterprises Investments Limited. New World China Enterprises Investments Limited was a wholly owned subsidiary of New World China Industrial Limited, which in turn was a wholly owned subsidiary of New World Enterprise Holdings Limited. New World Enterprise Holdings Limited was a wholly owned subsidiary of New World Development Company Limited, which in turn was held as to 37.92% by Chow Tai Fook Enterprises Limited. Chow Tai Fook Enterprises Limited was a wholly owned subsidiary of Centennial Success Limited, which in turn was 51%-owned subsidiary of Cheng Yu Tung Family (Holdings) Limited. By virtue of the SFO, Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in 16,500,000 shares held by Lucky Merit Holdings Limited.

6. 16,500,000 shares were held by Lucky Merit Holdings Limited, a wholly owned subsidiary of New World Liberty China Ventures Ltd., which in turn was a 50%-owned subsidiary of Liberty New World China Enterprises Investments, LP. By virtue of the SFO, Liberty New World China Enterprises Investments, LP is deemed to be interested in 16,500,000 shares held by Lucky Merit Holdings Limited.

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

Directors' Interests in Contracts of Significance

There is no contract 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.

Report of the Directors

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 32 to the consolidated financial statements and such related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

Competing Interest

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

Remuneration Policy

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

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, made recommendations to the Board for all remuneration of the Executive Directors and senior management of the Company.

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 26 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Securities

During the year, the Company had repurchased a total of 8,224,000 shares of HK$0.01 each of the Company on the Stock Exchange at an aggregate purchase price of HK$3,841,180. All of the shares repurchased had been cancelled during the year. Details of the repurchases are set out below:

Month of repurchase	Number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate purchase price
		HK$	HK$	HK$
October	6,264,000	0.48	0.43	2,848,100
November	1,096,000	0.48	0.47	518,960
December	864,000	0.56	0.48	474,120

The repurchases were made by the Directors, pursuant to the mandate granted by the shareholders, with a view to benefit the Company and the shareholders as a whole in the enhancement of the net assets per share and earnings per share.

Save as disclosed above, 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, 2008.

Report of the Directors

Pre-emptive Rights

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

Major Customers and Suppliers

For the year ended 31st December, 2008, the five largest customers accounted for approximately 96.5% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 67.3% of the Group's total turnover.

For the year ended 31st December, 2008, the five largest suppliers accounted for approximately 21.2% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 6.7% of the Group's total purchase.

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.

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, 17th April, 2009

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, 2008, 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.

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.

Independent Auditor's Report

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, 2008 and of its 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

17th April, 2009

Consolidated Income Statement

For the year ended 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	**1,359,491**	1,364,536
Cost of sales		**(1,207,822)**	(1,188,401)
Gross profit		**151,669**	176,135
Other income	8	**2,296**	3,041
Selling and distribution costs		**(23,038)**	(25,642)
Administrative expenses		**(87,589)**	(78,135)
Other expenses		**(9,765)**	(7,173)
Finance costs	9	**(271)**	(1,572)
Profit before taxation	10	**33,302**	66,654
Taxation	11	**(4,951)**	(8,753)
Profit for the year		**28,351**	57,901
Attributable to:			
– Equity holders of the Company		**31,391**	57,901
– Minority interests		**(3,040)**	–
		28,351	57,901
Dividends	13	**16,856**	17,848
Earnings per share	14		
Basic (HK dollar)		**0.10**	0.18
Diluted (HK dollar)		**N/A**	N/A

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current Assets			
Property, plant and equipment	15	81,605	75,181
Intellectual property	16	5,393	–
Club membership	17	978	978
		87,976	76,159
Current Assets			
Inventories	18	139,834	141,368
Trade debtors, deposits and prepayments	19	354,335	365,898
Tax recoverable		946	–
Bank balances and cash	20	110,436	167,272
		605,551	674,538
Current Liabilities			
Trade creditors and accrued charges	21	315,393	403,250
Bills payable	22	7,077	4,434
Tax liabilities		–	1,148
Obligations under finance leases – due within one year	23	523	498
Bank borrowings – due within one year	24	30,167	12,498
		353,160	421,828
Net Current Assets		252,391	252,710
Total Assets less Current Liabilities		340,367	328,869
Capital and Reserves			
Share capital	25	3,222	3,305
Reserves		331,048	319,629
Equity attributable to equity holders of the Company		334,270	322,934
Minority interests		2,206	–
Total Equity		336,476	322,934

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current Liabilities			
Obligations under finance leases			
– due after one year	23	**44**	571
Bank borrowings – due after one year	24	**–**	1,667
Deferred tax liabilities	27	**3,847**	3,697
		3,891	5,935
		340,367	328,869

The consolidated financial statements on pages 28 to 79 were approved and authorised for issue by the Board of Directors on 17th April, 2009 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, 2008

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note)	Exchange reserve HK$'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	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	–	–	–	513	–	513	–	513
Profit for the year	–	–	–	–	57,901	57,901	–	57,901
Total recognised income for the year	–	–	–	513	57,901	58,414	–	58,414
Placement of new shares	271	20,007	–	–	–	20,278	–	20,278
Shares issue expenses	–	(297)	–	–	–	(297)	–	(297)
Final dividend paid in respect of 2006	–	–	–	–	(12,560)	(12,560)	–	(12,560)
Interim dividend declared in respect of 2007	–	–	–	–	(5,288)	(5,288)	–	(5,288)
At 31st December, 2007	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	–	–	–	655	–	655	–	655
Profit for the year	–	–	–	–	31,391	31,391	(3,040)	28,351
Total recognised income for the year	–	–	–	655	31,391	32,046	(3,040)	29,006
Repurchase of shares	(83)	(3,758)	–	–	–	(3,841)	–	(3,841)
Shares repurchase expenses	–	(13)	–	–	–	(13)	–	(13)
Final dividend paid in respect of 2007	–	–	–	–	(12,890)	(12,890)	–	(12,890)
Interim dividend declared in respect of 2008	–	–	–	–	(3,966)	(3,966)	–	(3,966)
Contribution from minority shareholders	–	–	–	–	–	–	5,246	5,246
At 31st December, 2008	3,222	90,259	4,950	1,618	234,221	334,270	2,206	336,476

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, 2008

	2008	2007
	HK$'000	HK$'000
Operating activities		
Profit before taxation	33,302	66,654
Adjustments for:		
Finance costs	271	1,572
Depreciation	18,450	16,252
Impairment losses on trade debtors	–	289
Bad debt written off	–	144
Write down of inventories	3,135	6,835
Interest income	(1,628)	(2,419)
Loss on disposal of property, plant and equipment	211	621
Operating cash flows before movements in working capital	53,741	89,948
Increase in inventories	(1,601)	(12,840)
Decrease (increase) in trade debtors, deposits and prepayments	11,563	(6,767)
(Decrease) increase in trade creditors and accrued charges	(87,857)	65,449
Increase (decrease) in bills payable	2,643	(5,416)
Decrease in amount due to a related company	–	(14,467)
Cash (used in) generated from operations	(21,511)	115,907
Hong Kong Profits Tax paid	(6,895)	(11,000)
Net cash (used in) from operating activities	(28,406)	104,907
Investing activities		
Purchase of property, plant and equipment	(24,970)	(32,788)
Proceeds on disposal of property, plant and equipment	222	76
Decrease in pledged bank deposits	–	4,452
Interest received	1,628	2,419
Additions of intellectual property	(148)	–
Net cash used in investing activities	(23,268)	(25,841)

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
Financing activities		
Repayment of obligations under finance leases	**(502)**	(541)
Payment for repurchase of shares	**(3,841)**	–
Shares repurchase expenses	**(13)**	–
Net proceeds on issue of shares	**–**	20,278
Shares issue expenses	**–**	(297)
New bank borrowings raised	**56,000**	9,000
Repayment of bank borrowings	**(39,998)**	(38,282)
Contribution from minority shareholders	**1**	–
Dividends paid	**(16,856)**	(17,848)
Interest paid	**(271)**	(1,572)
Net cash used in financing activities	**(5,480)**	(29,262)
Net (decrease) increase in cash and cash equivalents	**(57,154)**	49,804
Effect of foreign exchange rate changes	**318**	455
Cash and cash equivalents at beginning of the year	**167,272**	117,013
Cash and cash equivalents at end of the year, representing bank balances and cash	**110,436**	167,272

1. GENERAL

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

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 34.

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

In the current year, the Group has applied the following amendments to Hong Kong Accounting Standards ("HKAS") and Hong Kong (IFRIC) Interpretations ("HK(IFRIC) – INT") (collectively the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
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

The application of these new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – INT 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1st January, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
2 Effective for annual periods beginning on or after 1st January, 2009
3 Effective for annual periods beginning on or after 1st July, 2009
4 Effective for annual periods ending on or after 30th June, 2009
5 Effective for annual periods beginning on or after 1st July, 2008
6 Effective for annual periods beginning on or after 1st October, 2008
7 Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 1 (Revised) may affect the presentation of the financial statements and HKFRS 8 may affect the Group's disclosure for operating segments.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 sale 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Club membership

Club membership with indefinite useful life is carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Intellectual property

Intellectual property contributed by equity holders and with finite useful lives are carried at fair value at the date of contribution less accumulated amortisation and any accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gain or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

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.

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 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 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.

Interest income is recognised on an effective interest basis.

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, the estimated future cash flows have been impacted.

The objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instrument *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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.

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 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instrument *(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 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 lives are 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. An impairment loss is recognised as an expense immediately.

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

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.

The Group as lessee

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.

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 its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Equity settled share-based payment transactions

Share options granted to employees of the Group

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful life and impairment of intellectual property

Management estimates the useful lives of intellectual property. The estimated useful lives are based on the expected lifespan of the underlying acoustic devices. The useful lives of the intellectual property could change significantly as a result of technical obsolescence. When the actual useful lives of the intellectual property due to the change of commercial and technological environment are different from the estimated useful lives, such difference will impact the amortisation charges and the amounts of the intellectual property written down for future periods.

The Group assesses annually whether intellectual property has any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of the intellectual property have been determined based on value in use calculations. These calculations require the use of judgement and estimates on future operating cash flows and discounts rates adopted. Where the actual cash flows is different from the original estimate, a material change in the amount of impairment may arise.

As at 31st December, 2008, the carrying amount of the intellectual property is HK$5,393,000 (2007: nil).

5. 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 (which includes the borrowings disclosed in note 24) and equity attributable to equity holders of the Company, comprising issued share capital, share premium, reserves and retained profits.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	455,523	522,090
Financial liabilities		
At amortised cost	352,637	413,644
Obligations under finance leases	567	1,069

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other debtors, bank balances, trade and other creditors and accrued charges, bills payable, 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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 24). 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 denominated borrowings.

Sensitivity analysis is not presented as the management considers that the Group's exposure to interest rate fluctuations is insignificant.

(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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**13,621**	3,804	**50,747**	42,320
USD	**366,400**	493,020	**98,846**	131,723

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Currency risk *(Continued)*

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% (2007: 6%) increase and decrease in Renminbi against Hong Kong dollars. The sensitivity rate of 6% (2007: 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% (2007: 6%) change in foreign currency rate. A negative number of the net impact indicates a decrease in post-tax profit for the year where Renminbi strengthen against Hong Kong dollars. For a 6% (2007: 6%) weakening of Renminbi against Hong Kong dollars, there would be an equal and opposite impact on the profit for the year.

	Impact of RMB	
	2008	2007
	HK$'000	HK$'000
Decrease in profit for the year	**(1,975)**	(2,030)

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31st December, 2008, the Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the 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 95% (2007: 84%) of the Group's trade debtors as at 31st December, 2008. 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 19.

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. As at 31st December, 2008, the Group had available unutilised overdraft and short-term bank loan facilities of approximately HK$81,923,000 (2007: HK$116,566,000). Details of which are set out in note 24.

6. 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.

2008	Weighted average effective interest rate %	0 to 3 months HK$'000	3 to 4 months HK$'000	4 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2008 HK$'000
Non-interest bearing	–	305,022	9,660	7,788	–	322,470	322,470
Variable interest rate instruments	1.25	28,933	141	1,121	–	30,195	30,167
Obligations under finance leases	3.82	134	44	357	45	580	567
		334,089	9,845	9,266	45	353,245	353,204

2007	Weighted average effective interest rate %	0 to 3 months HK$'000	3 to 4 months HK$'000	4 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2007 HK$'000
Non-interest bearing	–	390,795	7,963	721	–	399,479	399,479
Variable interest rate instruments	4.10	10,186	384	2,114	1,738	14,422	14,165
Obligations under finance leases	5.32	136	45	362	589	1,132	1,069
		401,117	8,392	3,197	2,327	415,033	414,713

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 from observable current market transactions.

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

7. 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 four revenue streams – sale of communication products, multi-media products, entertainment products and others which mainly consists of unit speaker drivers, complete acoustic solutions and open models which are individually below 10% of total segment revenue, results and assets. These revenue streams are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2008

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE					
External sales	160,894	663,342	346,551	188,704	1,359,491
RESULT					
Segment result	14,712	12,245	5,012	1,341	33,310
Unallocated income					2,296
Unallocated corporate expenses					(2,033)
Finance costs					(271)
Profit before taxation					33,302
Taxation					(4,951)
Profit for the year					28,351

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Balance sheet

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	67,798	288,365	147,952	76,557	580,672
Unallocated corporate assets					112,855
Consolidated total assets					693,527
LIABILITIES					
Segment liabilities	38,264	153,049	76,794	53,544	321,651
Unallocated corporate liabilities					35,400
Consolidated total liabilities					357,051

Other Information

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Others HK$'000	Consolidated HK$'000
Capital expenditure	2,965	17,454	6,237	3,707	30,363
Depreciation	2,199	9,454	5,147	1,650	18,450
Loss on disposal of property, plant and equipment	25	110	63	13	211
Write down of inventories	363	1,637	926	209	3,135

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2007

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE					
External sales	156,885	700,904	362,188	144,559	1,364,536
RESULT					
Segment result	13,335	35,396	18,109	1,332	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

Balance sheet

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	66,412	303,415	156,659	55,468	581,954
Unallocated corporate assets					168,743
Consolidated total assets					750,697
LIABILITIES					
Segment liabilities	47,260	204,176	105,640	49,487	406,563
Unallocated corporate liabilities					21,200
Consolidated total liabilities					427,763

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Other information

	Communication products HK$'000	Multi-media products HK$'000	Entertainment products HK$'000	Others HK$'000	Consolidated HK$'000
Capital expenditure	4,109	16,107	8,367	5,705	34,288
Depreciation	1,800	8,987	4,626	839	16,252
Loss on disposal of property, plant and equipment	74	293	153	101	621
Impairment losses on trade debtors	32	164	84	9	289
Write down of inventories	746	3,869	1,989	231	6,835
Bad debt written off	82	42	16	4	144

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	
	2008	2007
	HK$'000	HK$'000
Europe	**730,688**	724,000
North Amercia	**407,173**	467,928
South America	**49,269**	34,670
The People's Republic of China (the "PRC")	**50,732**	43,179
Other Asia regions	**121,629**	94,759
	1,359,491	1,364,536

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical segments *(Continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Europe	**295,099**	323,859	**–**	–
North America	**1,944**	1,646	**–**	–
The PRC	**278,464**	253,924	**24,970**	34,288
Other Asia regions	**5,165**	2,525	**–**	–
	580,672	581,954	**24,970**	34,288

8. OTHER INCOME

	2008	2007
	HK$'000	HK$'000
Bank interest income	**1,628**	2,419
Sundry income	**668**	622
	2,296	3,041

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Finance charges on obligations under finance leases	**34**	72
Interest on bank borrowings wholly repayable within five years	**237**	1,500
	271	1,572

10. PROFIT BEFORE TAXATION

	2008 HK$'000	2007 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,300**	1,300
Cost of inventories recognised as an expense including write down of inventories of HK$3,135,000 (2007: HK$6,835,000)	**1,207,822**	1,188,401
Depreciation		
Owned assets	**18,286**	16,107
Assets held under finance leases	**164**	145
	18,450	16,252
Net exchange loss (included in other expenses)	**4,175**	6,039
Directors' emoluments (note 12)	**4,275**	4,724
Retirement benefit scheme contributions (note 31)	**2,421**	2,078
Other staff costs	**143,598**	113,158
Total staff costs	**150,294**	119,960
Operating lease rentals in respect of rented premises	**5,298**	2,441
Other rental expenses	**9,121**	8,792
Research and development costs (included in other expenses)	**5,590**	1,134
Loss on disposal of property, plant and equipment	**211**	621
Bad debt written off	**–**	144
Impairment losses on trade debtors	**–**	289

11. TAXATION

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current taxation	**5,525**	8,270
Overprovision in prior years	**(724)**	(71)
	4,801	8,199
Deferred taxation (note 27)		
Current year	**361**	554
Attributable to change in tax rate	**(211)**	–
	150	554
	4,951	8,753

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

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. 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 current and prior years.

11. TAXATION *(Continued)*

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 enterprises is unified at 25% and is effective from 1st January, 2008.

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

	2008 HK$'000	2007 HK$'000
Profit before taxation	33,302	66,654
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	5,495	11,664
Tax effect of expenses not deductible for tax purpose	1,300	1,095
Tax effect of income not taxable for tax purpose	(11)	(129)
Overprovision in respect of prior years	(724)	(71)
Tax effect of tax losses not recognised	1,024	–
Tax effect of deductible temporary differences not recognised	–	15
Effect of tax relief granted to a subsidiary	(2,479)	(4,030)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	(211)	–
Others	557	209
Taxation for the year	4,951	8,753

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

The emoluments paid or payable to each of the six (2007: six) directors were as follows:

	Cheung Wah Keung	Ip Wai Cheong, Ernest	Wang Dong (note b)	Goh Gen Cheung	Lai Ming, Joseph	Lam King Sun, Frankie	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008							
Fees	–	–	–	245	245	245	735
Other emoluments							
Salaries and other benefits	1,898	1,350	215	–	–	–	3,463
Bonus (note a)	–	53	–	–	–	–	53
Retirement benefit scheme contributions	12	12	–	–	–	–	24
	1,910	1,415	215	245	245	245	4,275
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

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, 2008 and 31st December, 2007 respectively.

(b) Wang Dong resigned as a director on 11th May, 2008.

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

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2007: two) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2007: three) individuals were as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits	**3,837**	3,237
Bonus	**147**	270
Retirement benefit scheme contributions	**24**	21
	4,008	3,528

Their emoluments were within the following bands:

	2008 **Number of employees**	2007 Number of employees
HK$1,000,001 to HK$1,500,000	**3**	3

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.

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Dividend recognised as distribution during the year:		
Interim dividend paid in respect of 2008 of HK1.2 cents (2007: HK1.6 cents in respect of 2007) per share	**3,966**	5,288
Final dividend paid in respect of 2007 of HK3.9 cents (2007: HK3.8 cents in respect of 2006) per share	**12,890**	12,560
	16,856	17,848

The final dividend of HK4.3 cents (2007: HK3.9 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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:

	2008 HK$'000	2007 HK$'000
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the year attributable to the equity holders of the Company)	**31,391**	57,901

	2008 '000	2007 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**329,053**	323,162

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

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Moulds	Furniture, fixtures and office equipment	Leasehold improvements	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1st January, 2007	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
Additions	18,158	5	5,133	1,500	174	24,970
Disposals	(1,356)	(28)	(655)	(3,347)	–	(5,386)
Exchange adjustments	134	–	96	128	–	358
At 31st December, 2008	124,589	874	29,491	20,138	3,366	178,458
DEPRECIATION						
At 1st January, 2007	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
Provided for the year	11,368	84	3,470	3,413	115	18,450
Eliminated on disposals	(960)	(1)	(645)	(3,347)	–	(4,953)
Exchange adjustments	6	–	5	10	–	21
At 31st December, 2008	63,572	677	18,127	11,836	2,641	96,853
CARRYING VALUES						
At 31st December, 2008	61,017	197	11,364	8,302	725	81,605
At 31st December, 2007	54,495	303	9,620	10,097	666	75,181

15. 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$1,355,000 (2007: HK$1,519,000) in respect of assets held under finance leases.

16. INTELLECTUAL PROPERTY

	HK$'000
COST	
Contribution from minority shareholders	5,245
Additions	148
At 31st December, 2008	5,393

Intellectual property represents intellectual property on designs for acoustic devices for bicycles which contributed from minority shareholders in 2008.

The intellectual property is amortised on a straight-line basis over the expected lifespan of the underlying acoustic devices of 5 years.

17. CLUB MEMBERSHIP

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

During the year ended 31st December, 2008, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount. The management of the Group determined that no impairment loss was charged for the current year.

18. INVENTORIES

	2008 **HK$'000**	2007 HK$'000
Raw materials	**69,887**	83,203
Work in progress	**27,321**	26,252
Finished goods	**42,626**	31,913
	139,834	141,368

19. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 **HK$'000**	2007 HK$'000
Trade debtors	**344,644**	355,078
Less: impairment losses on trade debtors	**(287)**	(289)
	344,357	354,789
Other debtors, deposits and prepayments	**9,978**	11,109
	354,335	365,898

Included in Group's debtors are debtors with carrying amounts of HK$336,022,000 (2007: HK$348,108,000) which denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

The Group normally allows an average credit period of 30 to 90 days (2007: 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.

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

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

	2008 HK$'000	2007 HK$'000
0 to 30 days	**116,441**	128,835
31 to 60 days	**169,126**	153,304
61 to 90 days	**55,217**	69,430
91 to 120 days	**3,441**	2,252
Over 120 days	**132**	968
	344,357	354,789

Included in the Group's trade debtor balances are debtors with aggregate carrying amount of HK$6,544,000 (2007: HK$8,772,000) which are past due at the balance sheet 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.

Ageing of trade debtors which are past due but not impaired

	2008 HK$'000	2007 HK$'000
Less than 30 days	**6,130**	6,627
31 to 90 days	**266**	1,243
91 to 365 days	**21**	902
Over 365 days	**127**	–
Total	**6,544**	8,772

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.

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

Movement in the impairment losses on trade debtors:

	2008	2007
	HK$'000	HK$'000
At 1st January	**289**	434
Impairment loss recognised	**–**	289
Uncollectible amounts written off	**(2)**	(434)
At 31st December	**287**	289

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

20. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at prevailing market interest rates which ranged from 0.8% to 4.2% (2007: 1% to 2.5%) per annum.

Included in the Group's bank balances are bank balances with carrying amounts of HK$30,378,000 (2007: HK$144,912,000) and HK$13,621,000 (2007: HK$3,084,000) 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:

	2008 HK$'000	2007 HK$'000
0 to 30 days	98,838	94,713
31 to 60 days	108,614	108,131
61 to 90 days	59,580	81,676
91 to 120 days	9,404	62,654
Over 120 days	2,209	21,438
	278,645	368,612
Accrued charges	36,748	34,638
	315,393	403,250

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

Included in the Group's creditors are creditors with carrying amounts of HK$97,336,000 (2007: HK$127,289,000) and HK$45,228,000 (2007: HK$42,320,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

22. BILLS PAYABLE

The following is an aged analysis of the bills payable, with maturity date of 360 days (2007: 90 days), at the respective balance sheet dates:

	2008 HK$'000	2007 HK$'000
0 to 30 days	–	929
31 to 60 days	–	799
61 to 90 days	–	2,706
Over 90 days	7,077	–
	7,077	4,434

22. BILLS PAYABLE *(Continued)*

Included in the Group's bills payable are bills payable with a carrying amount of nil (2007: HK$4,434,000) which is denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**535**	543	**523**	498
In more than one year but not more than two years	**45**	589	**44**	571
	580	1,132	**567**	1,069
Less: future finance charges	**(13)**	(63)	**–**	–
Present value of lease obligations	**567**	1,069	**567**	1,069
Less: amount due for settlement within one year shown under current liabilities			**(523)**	(498)
Amount due for settlement after one year			**44**	571

The Group has leased certain of its plant and machinery under finance leases. The average lease term is 3 years (2007: 3 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates which ranged from 2.97% to 5.53% (2007: 4.25% to 6.22%) 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.

24. BANK BORROWINGS

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

Bank borrowings comprise:

	Effective interest rate (per annum) 2008	Effective interest rate (per annum) 2007	Carrying amount 2008 HK$'000	Carrying amount 2007 HK$'000
Floating-rate HK$ bank loans:				
At HIBOR + 0.7%	**1.13%**	4.23%	**21,500**	9,000
At Prime – 1%	**–**	6.37%	**–**	1,832
At HIBOR + 1%	**3.4%**	5.47%	**1,667**	3,333
At HIBOR + 0.85%	**1.1%**	–	**7,000**	–
			30,167	14,165

As at the balance sheet date, the Group has undrawn borrowing facilities of HK$81,923,000 (2007: HK$116,566,000).

25. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1st January, 2007, 31st December, 2007 and 31st December, 2008	500,000,000	5,000
Issued and fully paid:		
At 1st January, 2007	303,397,500	3,034
Placement of new shares	27,120,064	271
At 31st December, 2007	330,517,564	3,305
Repurchase of shares	(8,224,000)	(83)
At 31st December, 2008	322,293,564	3,222

The following changes in the share capital of the Company took place during the years ended 31st December, 2007 and 31st December, 2008:

(i) 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.

25. SHARE CAPITAL *(Continued)*

(i) *(Continued)*

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.

(ii) During the year, the Company had repurchased a total of 8,224,000 shares of HK$0.01 each of the Company on the SEHK at an aggregate purchase price of HK$3,841,000. All of the shares repurchased had been cancelled during the year. Details of the repurchases are set out below:

Month of repurchase	Number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate purchase price
		HK$	HK$	HK$'000
October	6,264,000	0.48	0.43	2,848
November	1,096,000	0.48	0.47	519
December	864,000	0.56	0.48	474
				3,841

26. SHARE OPTION SCHEME

Equity-settled share options scheme

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.

26. SHARE OPTION SCHEME *(Continued)*

Equity-settled share options scheme *(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 32,229,356 ordinary shares, representing approximately 10% of the issued share capital of the Company as at the date of this annual report.

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.

26. SHARE OPTION SCHEME *(Continued)*

Equity-settled share options scheme *(Continued)*

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.

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 or outstanding under the Share Option Scheme in both years.

27. 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, 2007	3,143
Charge to consolidated income statement for the year	554
At 31st December, 2007	3,697
Charge to consolidated income statement for the year	361
Effect of change in tax rate	(211)
At 31st December, 2008	3,847

At the balance sheet date, the Group had deductible temporary differences and unutilised tax losses carried forward to offset future profits of HK$385,000 (2007: HK$385,000) and HK$6,203,000 (2007: nil) respectively. The tax losses can be carried forward indefinitely. No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. MAJOR NON-CASH TRANSACTIONS

During 2008, the minority shareholders of a subsidiary of the Group have contributed an initial capital of HK$1,000 and intellectual property of HK$5,245,000 to the subsidiary. The Group retains 51% interest in the subsidiary via cash contribution of HK$5,460,000.

During the financial year ended 31st December, 2007, 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.

29. 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:

	2008	2007
	HK$'000	HK$'000
Within one year	**1,856**	2,675
In the second to fifth years inclusive	**–**	396
	1,856	3,071

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

30. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**1,488**	845

31. 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.

31. EMPLOYEE RETIREMENT BENEFITS *(Continued)*

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$2,445,000 (2007: HK$2,102,000) represents contributions payable to these schemes by the Group. At the balance sheet date, there was no forfeited contribution available to reduce future contributions in both years.

32. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with a related company during the year:

Name of related company	Nature of transactions	2008 HK$'000	2007 HK$'000
Dongguan Guanman Acoustic Co. Ltd.	Trade purchases	–	40,291
	Trade sales	–	260
	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.

32. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

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

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**11,740**	9,751
Bonus	**483**	662
Retirement benefit schemes contributions	**113**	102
	12,336	10,515

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.

33. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008 HK$'000	2007 HK$'000
Investment in a subsidiary	**–**	–
Amounts due from subsidiaries	**184,422**	198,257
Dividend receivable	**34,000**	21,000
Bank balances and cash	**88**	487
Other current assets	**226**	236
Amount due to a subsidiary	**(2,513)**	–
Other current liabilities	**(606)**	(658)
	215,617	219,322
Share capital	**3,222**	3,305
Reserves (note)	**212,395**	216,017
	215,617	219,322

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

Note: The Company's reserves movement are as follows:

	Share premium HK$'000	Special reserve HK$'000 (Note)	Retained profits HK$'000	Total HK$'000
THE COMPANY				
At 1st January, 2007	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
Profit for the year	–	–	17,005	17,005
Repurchase of shares	(3,758)	–	–	(3,758)
Shares repurchase expenses	(13)	–	–	(13)
Final dividend paid in respect of 2007	–	–	(12,890)	(12,890)
Interim dividend declared in respect of 2008	–	–	(3,966)	(3,966)
At 31st December, 2008	90,259	107,647	14,489	212,395

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.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31st December, 2008 and 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
				2008	2007	
Shinhint Industries Limited	Incorporated	Hong Kong	HK$5,000,000	100%	100%	Investment holding and trading of components of electronic appliances
Tai Sing Industrial Company Limited	Incorporated	Hong Kong/PRC	HK$5,000,000	100%	100%	Manufacturing of moulds, headphones and speakers related components
Crown Million Industries (International) Limited	Incorporated	Hong Kong	HK$10,000	100%	100%	Investment holding and trading of home theatre and automobiles speakers system
Shinhint Industrial Holdings Limited ("Shinhint Industrial")	Incorporated	British Virgin Islands	US$1	100%	100%	Investment holding
DongGuan Shinhint Audio Technology Limited	Wholly foreign–owned enterprise	PRC	HK$10,000,000	100%	100%	Manufacturing of home theatre and automobiles speakers system
Tommyca Hong Kong Limited	Incorporated	Hong Kong	HK$2,041	51%	N/A	Trading of acoustic devices for bicycles

Notes:

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

2. None of the subsidiary had any debt securities subsisted at 31st December, 2008.

Financial Summary

	Year ended 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	529,946	1,016,198	1,174,157	1,364,536	**1,359,491**
Profit for the year	40,865	45,441	50,329	57,901	**28,351**
Attributable to:					
Equity holders of the parent	40,315	45,432	50,329	57,901	**31,391**
Minority interests	550	9	–	–	**(3,040)**
	40,865	45,441	50,329	57,901	**28,351**

	At 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	297,398	654,303	675,154	750,697	**693,527**
Total liabilities	(188,721)	(429,494)	(412,767)	(427,763)	**(357,051)**
Shareholders' funds	108,677	224,809	262,387	322,934	**336,476**

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 year ended 31st December, 2004 and the consolidated balance sheet of the Group at 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, 2008 and the consolidated balance sheets of the Group at 31st December, 2007 and 31st December, 2008 have been extracted from the audited consolidated financial statements of the Group as set out on pages 28 to 30.