



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)



Interim Report 2010

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Corporate Information

Board of Directors

Executive Directors

Mr. Cheung Wah Keung
(Chairman of the Board)
Mr. Wong Sau Lik, Weekly 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. Wong Sau Lik, Weekly Peter

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

Management Discussion and Analysis

Business Review

As the worldwide economy recovers at a slow pace, Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (the "Group") was maintaining a steady performance during the period under review. For the six months ended 30th June, 2010, the Group reported a turnover of HK\$505,144,000, which represented an increase of 12% over the corresponding period of last year (2009 Interim: HK\$451,005,000). The improvement reflects the positive result of its strategic efforts in strengthening the Original Design Manufacturer ("ODM") capability and expanding the customer base.

The gross profit of the Group improved by 13% to HK\$61,416,000 for the period under review (2009 Interim: HK\$54,286,000). The increase in gross profit was mainly attributable to the Group's efforts in strengthening the effective cost control measures and the tight management of material costs. However, the positive result was partly offset by the increased labour wages in the People's Republic of China (the "PRC"), which has directly affected the operating costs. The Group has managed to achieve a net profit attributable to owners of the Company of HK\$5,172,000 (2009 Interim: HK\$3,370,000). Moreover, the Group continues to maintain a solid financial position, generating a healthy cash inflow, with net cash and cash equivalents at HK\$126,964,000, a similar level to 31st December, 2009.

During the review period, the speaker drivers business registered an encouraging performance with the turnover reaching HK\$120,599,000, representing a year-on-year growth of 120% (2009 Interim: HK\$54,871,000). The strong demand in flat panel TVs has brought a significant number of orders for speaker drivers to the Group, while there was also an uptrend in the inflow of orders from the automotive market. New products with proprietary technology in this segment were one of the key income drivers which brought profitability to the Group.

The increased number of customers and high-end Bluetooth products in the communication peripheral segment have led to a substantial growth in its turnover of 50%, an increase to HK\$85,888,000 (2009 Interim: HK\$57,111,000). Several innovative new wireless products in this segment have commenced production in the period under review.

The portable audio business was seeing a consolidation period and the increasing price pressure has led to a turnover decrease of 18% to HK\$201,058,000 (2009 Interim: HK\$243,846,000). However, with the recovering economy and the positive growth of portable devices, such as portable computers and smart phones, the Group's investment in new products with higher technological content shall help regain growth momentum for this segment. Along with the Group's strategic move of scaling down production in the desktop audio business, the segmental turnover reduced to HK\$81,019,000 (2009 Interim: HK\$82,051,000).

Management Discussion and Analysis (Continued)

Financial Review

Liquidity and Financial Resources

As at 30th June, 2010, the Group's net current assets were HK\$265,915,000 (31st December, 2009: HK\$277,102,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.0 as compared to 2.1 at last year end.

As at 30th June, 2010, the Group maintained a healthy cash level with net cash and cash equivalents of HK\$126,964,000 (31st December, 2009: HK\$123,835,000) and unutilized banking facilities of HK\$59,560,000 (31st December, 2009: HK\$35,000,000). The Group had bank borrowings of HK\$21,000,000 (31st December, 2009: HK\$20,000,000) which represented a 5% increase of HK\$1,000,000 over last year end.

The gearing ratio of the Group increased to 6.4% from 5.8% as at 31st December, 2009. The ratio is computed by dividing total borrowings of HK\$21,000,000 (2009: HK\$20,000,000) by shareholders' equity of HK\$328,178,000 (2009: HK\$342,340,000).

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

Treasury Policies

The Group does not engage in any leveraged or 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 Group believes that it will have sufficient foreign exchange reserves to match necessary requirements. Part of the manufacturing overhead is denominated in Renminbi, to mitigate the impact of exchange rate fluctuations, the Group will closely assess and monitor the movement of the Renminbi exchange rate. The Group will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30th June, 2010, the Group had no material contingent liabilities.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Human Resources

As at 30th June, 2010, the Group employed a total of approximately 5,400 employees (30th June, 2009: 4,300) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$71,435,000 (30th June, 2009: HK\$56,726,000). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration package and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Prospects

With some signs of recovery from the global economic downturn, the Group's turnover was able to maintain a stable and healthy position. The Group remains cautiously optimistic about the market outlook, and will continue to execute the set development strategies in the second half of the financial year. However, the impact of the mandatory labour cost increase in the PRC and the rising demand for electronics components must be fully appreciated at the same time. Therefore, the Group is determined to further diversify its product portfolio and to expand its customer base for broadening the income stream and therefore increasing the total turnover.

For tapping the market demand, the Group shall invest more resources in the research and development of high-end products. The two focuses are firstly, the application of Bluetooth technology on communication and portable audio peripherals, which include headsets and speaker systems and; secondly, speaker drivers for flat panel TV and automotive. The Group is dedicated to adding more value into its products for the enhancement of marketability and profitability. With the strengthened and proven ODM capability and the expanding customer base, despite of the macro trend of increasing operating cost in the PRC, the Group is committed to generating long term value to its employees, customers and shareholders.

Management Discussion and Analysis *(Continued)*

Interim Dividend

The Board has declared an interim dividend of HK1.2 cents per share for the six months ended 30th June, 2010 (2009 interim dividend: HK1.2 cents). The interim dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 10th September, 2010. It is expected that the interim dividend will be paid on or about 17th September, 2010.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 8th September, 2010 to Friday, 10th September, 2010 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, 7th September, 2010.

By order of the Board
Cheung Wah Keung
Chairman

Hong Kong, 20th August, 2010

Corporate Governance and Other Information

Compliance with the Code on Corporate Governance Practices

The Company has, throughout the six months ended 30th June, 2010, applied and complied with the principles in the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. On specific enquiry made, all the directors of the Company have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2010.

Audit Committee

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

The interim results of the Group for the six months ended 30th June, 2010 have not been audited, but have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2010.

Purchase, Sale or Redemption of Shares

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

Corporate Governance and Other Information (Continued)

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

As at 30th June, 2010, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity	Number of shares held ⁽¹⁾	Approximate percentage of the issued shares
Cheung Wah Keung	Interest of a controlled corporation ⁽²⁾	152,655,473	47.48%
	Beneficial owner	6,156,000	1.91%

Notes:

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

Save as disclosed above, as at 30th June, 2010, none of the directors and the chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information (Continued)

Share Option Scheme

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

No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme during the six months ended 30th June, 2010.

No share option granted under the Share Option Scheme was outstanding as at 1st January, 2010 and 30th June, 2010 respectively.

Substantial Shareholders' Interests

As at 30th June, 2010, 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	49.39%
Martin Currie (Holdings) Limited ⁽³⁾	Interest of controlled corporations	42,076,000	13.09%
David Michael Webb ⁽⁴⁾	Beneficial owner and interest of a controlled corporation	19,872,000	6.18%

Corporate Governance and Other Information *(Continued)*

Substantial Shareholders' Interests *(Continued)*

Notes:

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

Save as disclosed above, as at 30th June, 2010, 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.

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules

During the period under review, there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Deloitte.

德勤

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

Introduction

We have reviewed the interim financial information set out on pages 12 to 29, which comprises the condensed consolidated statement of financial position of Shinhint Acoustic Link Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30th June, 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Report on Review of Interim Financial Information *(Continued)*

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20th August, 2010

Condensed Consolidated Income Statement

For the six months ended 30th June, 2010

		Six months ended 30th June,	
		2010	2009
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	505,144	451,005
Cost of sales		(443,728)	(396,719)
Gross profit		61,416	54,286
Other income		800	318
Selling and distribution costs		(9,301)	(8,220)
Administrative expenses		(38,968)	(33,385)
Research and development expenses		(7,824)	(6,194)
Other gains and losses		399	(4,720)
Finance costs		(4)	(25)
Profit before taxation	5	6,518	2,060
Taxation	6	(1,346)	(896)
Profit for the period		5,172	1,164
Profit for the period attributable to:			
– Owners of the Company		5,172	3,370
– Non-controlling interests		–	(2,206)
		5,172	1,164
Earnings per share	8	HK cents	HK cents
– Basic		1.61	1.05

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2010

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	5,172	1,164
Other comprehensive income		
Exchange differences arising on translation of foreign operations	280	4
Other comprehensive income for the period	280	4
Total comprehensive income for the period	5,452	1,168
Total comprehensive income attributable to:		
– Owners of the Company	5,452	3,374
– Non-controlling interests	–	(2,206)
	5,452	1,168

Condensed Consolidated Statement of Financial Position

At 30th June, 2010

	<i>Notes</i>	30th June, 2010 HK\$'000 (Unaudited)	31st December, 2009 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	61,770	66,644
Intangible assets	10	978	978
Rental deposits		591	589
Deposits for acquisition of property, plant and equipment		2,227	401
		65,566	68,612
Current assets			
Inventories		100,670	77,856
Trade debtors, deposits and prepayments	11	295,475	297,965
Bank balances and cash		147,964	143,835
		544,109	519,656
Current liabilities			
Trade creditors and accrued charges	12	255,767	222,327
Tax liabilities		1,427	183
Obligations under finance leases – due within one year		–	44
Bank borrowings – due within one year	13	21,000	20,000
		278,194	242,554
Net current assets		265,915	277,102
Total assets less current liabilities		331,481	345,714

Condensed Consolidated Statement of Financial Position (Continued)

At 30th June, 2010

	Notes	30th June, 2010 HK\$'000 (Unaudited)	31st December, 2009 HK\$'000 (Audited)
Capital and reserves			
Share capital	14	3,215	3,215
Reserves		324,963	339,125
Equity attributable to owners of the Company		328,178	342,340
Non-controlling interests		–	–
Total equity		328,178	342,340
Non-current liabilities			
Deferred tax liabilities		3,303	3,374
		3,303	3,374
Total equity and liabilities		331,481	345,714

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2010

	Share capital	Share premium	Special reserve	Statutory reserve	Exchange reserve	Retained profits	Total equity attributable to owners of the Company	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2009 (audited)	3,222	90,259	4,950	-	1,618	234,221	334,270	2,206	336,476
Profit for the period	-	-	-	-	-	3,370	3,370	(2,206)	1,164
Exchange differences arising on translation of foreign operations	-	-	-	-	4	-	4	-	4
Total comprehensive income for the period	-	-	-	-	4	3,370	3,374	(2,206)	1,168
Dividend paid	-	-	-	-	-	(13,859)	(13,859)	-	(13,859)
At 30th June, 2009 (unaudited)	3,222	90,259	4,950	-	1,622	223,732	323,785	-	323,785
At 1st January, 2010 (audited)	3,215	89,714	4,950	244	1,652	242,565	342,340	-	342,340
Profit for the period	-	-	-	-	-	5,172	5,172	-	5,172
Exchange differences arising on translation of foreign operations	-	-	-	-	280	-	280	-	280
Total comprehensive income for the period	-	-	-	-	280	5,172	5,452	-	5,452
Dividend paid	-	-	-	-	-	(19,614)	(19,614)	-	(19,614)
Transfer	-	-	-	429	-	(429)	-	-	-
At 30th June, 2010 (unaudited)	3,215	89,714	4,950	673	1,932	227,694	328,178	-	328,178

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2010

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	28,354	58,875
Investing activities		
Purchase of property, plant and equipment	(4,198)	(3,957)
Proceeds on disposal of property, plant and equipment	17	4
Interest received	254	70
Increase in deposits for acquisition of property, plant and equipment	(1,826)	–
Net cash used in investing activities	(5,753)	(3,883)
Financing activities		
Dividend paid	(19,614)	(13,859)
Repayment of bank loans	(20,000)	(38,134)
Interest paid	(4)	(25)
Repayment of obligations under finance leases	(44)	(260)
New bank loans raised	21,000	28,800
Net cash used in financing activities	(18,662)	(23,478)
Net increase in cash and cash equivalents	3,939	31,514
Cash and cash equivalents at beginning of the period	143,835	110,436
Effect of foreign exchange rate changes	190	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	147,964	141,950

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

1. Basis of Preparation

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

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1st January, 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-Based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

2. Principal Accounting Policies (Continued)

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The adoption of other new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKAS 32 (Amendment)	Classification of Right Issues ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ²
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

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

For the six months ended 30th June, 2010

2. Principal Accounting Policies *(Continued)*

- ¹ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
- ² Effective for annual periods beginning on or after 1st January, 2011
- ³ Effective for annual periods beginning on or after 1st February, 2010
- ⁴ Effective for annual periods beginning on or after 1st July, 2010
- ⁵ Effective for annual periods beginning on or after 1st January, 2013

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

3. Revenue

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

4. Segmental Information

The information reported to the Group's chief operating decision maker (i.e. Executive Directors) for the purposes of resource allocation and assessment of performance is focused on the type of products. Thus, the Group is currently organised into four reportable segments which are sales of communication peripheral, portable audio, desktop audio and speaker drivers. The Group's reportable segments are as follows:

- Communication peripheral mainly comprises wireless and wired audio accessories for mobile communications.
- Portable audio mainly comprises portable speaker systems.
- Desktop audio mainly comprises stationary speaker systems.
- Speaker drivers mainly comprises speaker drivers for automotive, flat-panel TV and audio applications.

In addition, others include miscellaneous parts and accessories.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

4. Segmental Information (Continued)

The analysis of the Group's revenue and results by reportable segment for the period under review is set out below:

Six months ended 30th June, 2010

	Communication peripheral HK\$'000	Portable audio HK\$'000	Desktop audio HK\$'000	Speaker drivers HK\$'000	Others HK\$'000	Total HK\$'000
REVENUE						
External sales	85,888	201,058	81,019	120,599	16,580	505,144
RESULT						
Segment result	3,577	170	(1,179)	4,362	150	7,080
Unallocated other income						800
Unallocated expenses						(1,358)
Finance costs						(4)
Profit before taxation						6,518
Taxation						(1,346)
Profit for the period						5,172

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

4. Segmental Information (Continued)

Six months ended 30th June, 2009

	Communication peripheral HK\$'000	Portable audio HK\$'000	Desktop audio HK\$'000	Speaker drivers HK\$'000	Others HK\$'000	Total HK\$'000
REVENUE						
External sales	57,111	243,846	82,051	54,871	13,126	451,005
RESULT						
Segment result	5,270	(3,734)	(847)	2,070	106	2,865
Unallocated other income						318
Unallocated expenses						(1,098)
Finance costs						(25)
Profit before taxation						2,060
Taxation						(896)
Profit for the period						1,164

Segment result represents the profit (loss) earned by each segment without allocation of finance costs, unallocated expenses, other income and taxation. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

5. Profit Before Taxation

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	8,830	10,123
Amortisation of intangible assets (included in cost of sales)	–	449
Impairment loss recognised in respect of intangible assets (included in other gains and losses)	–	4,944
Loss on disposal of property, plant and equipment	315	352
Write down of inventories (included in cost of sales)	1,248	1,185
Interest income	(254)	(70)

6. Taxation

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Current tax for the period		
Hong Kong	827	1,396
PRC Enterprise Income Tax	590	–
	1,417	1,396
Deferred tax for the period	(71)	(500)
	1,346	896

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

6. Taxation (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from PRC Enterprise Income Tax and the local income tax for two years starting from their first profit-making year, or the year ended 31st December, 2008, whichever is earlier and are granted a 50% relief for the following three years. PRC Enterprise Income Tax is calculated at 12.5% for a PRC subsidiary which is eligible for the 50% relief in the current period. No provision for PRC Enterprise Income Tax and the local income tax had been made in the condensed consolidated financial statements for the period ended 30th June, 2009 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 prior periods.

Deferred tax has been provided for temporary differences arising from accelerated tax depreciation in respect of property, plant and equipment and withholding tax at applicable tax rate of the undistributed earnings of a PRC subsidiary in the current period.

7. Dividends

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period:		
Final dividend paid in respect of dividend declared for 2009 of HK4.3 cents (2009: HK4.3 cents in respect of dividend declared for 2008) per share	13,826	13,859
Special dividend paid in respect of dividend declared for 2009 of HK1.8 cents (2009: nil) per share	5,788	–
	19,614	13,859

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

7. Dividends (Continued)

The directors have determined that an interim dividend of HK1.2 cents per share (six months ended 30th June, 2009: HK1.2 cents per share) should be paid to the shareholders of the Company whose names appear in the register of members on 10th September, 2010.

8. Earnings Per Share

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

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	5,172	3,370
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	321,545	322,294

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

9. Property, Plant and Equipment

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$4,198,000 (six months ended 30th June, 2009: HK\$3,957,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

10. Intangible Assets

	Intellectual property HK\$'000	Club membership HK\$'000	Total HK\$'000
COST			
As at 1st January, 2010 and 30th June, 2010	5,393	978	6,371
AMORTISATION AND IMPAIRMENT			
As at 1st January, 2010 and 30th June, 2010	5,393	–	5,393
CARRYING VALUES			
At 30th June, 2010	–	978	978
At 31st December, 2009	–	978	978

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

11. Trade Debtors, Deposits and Prepayments

The Group normally allows an average credit period of 30 – 105 days to its trade customers, and may be further extended to selected customers depending on their trade volume and settlement with the Group.

The following is an aged analysis of trade debtors (net of impairment losses) presented based on the invoice date at the end of the respective reporting periods:

	30th June, 2010	31st December, 2009
	HK\$'000	HK\$'000
0 to 30 days	100,511	78,926
31 to 60 days	92,827	104,758
61 to 90 days	68,175	79,394
91 to 120 days	18,074	27,549
Over 120 days	1,462	95
	281,049	290,722
Other debtors, deposits and prepayments	14,426	7,243
	295,475	297,965

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

12. Trade Creditors and Accrued Charges

The following is an aged analysis of the trade creditors presented based on the invoice date at the end of respective reporting periods:

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
0 to 30 days	62,995	59,339
31 to 60 days	64,955	55,147
61 to 90 days	54,775	43,187
91 to 120 days	18,221	13,472
Over 120 days	7,087	4,425
	208,033	175,570
Accrued charges	47,734	46,757
	255,767	222,327

13. Bank Borrowings

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
Unsecured bank borrowings	21,000	20,000

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2010

14. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31st December, 2009 and 30th June, 2010	500,000,000	5,000
Issued and fully paid:		
At 31st December, 2009 and 30th June, 2010	321,545,564	3,215

15. Capital Commitments

At 30th June, 2010, the Group had commitments for capital expenditure of approximately HK\$822,000 (31st December, 2009: HK\$271,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

16. Related Party Transactions

During the period, the Group entered into the following transaction with related party:

Name of related party	Nature of transactions	Six months ended 30th June,	
		2010 HK\$'000	2009 HK\$'000
Directors and key management	Remuneration	5,870	5,866