



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)



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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

The period under review saw the toughest ever macro environment Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries ("the Group") have ever experienced since inception of the Group. On the sales front, the depressing inertia of the global economy has continued and it gave no help to the demands from the major markets of the Group. On the operating side, the manufacturing costs kept on surging in the People's Republic of China (the "PRC") and the material costs, primarily led by the roaring price increase of the rare earth, were vastly unfavorable to our manufacturing sector. For the six months ended 30th June, 2011, the Group reported a turnover of HK\$414,550,000, which represented a decrease of 18% over the corresponding period of last year (2010 Interim: HK\$505,144,000). While the Group was trying very hard to pass on the cost increase to its customers, nonetheless, the poor global economy has caused severe resistance along the whole distribution chain and only part of the increased cost transfer can be realized.

The gross profit of the Group decreased by 68% to HK\$19,474,000 for the period under review (2010 Interim: HK\$61,416,000). The decrease in gross profit was mainly caused by, apart from the reduction in turnover, the consecutive years of mandatory labor cost increase in the PRC, Renminbi appreciation, material cost increase and higher absorption rate due to lower turnover. In May 2010 and March 2011, merely 10 months interval, the mandatory labor cost increase in Dongguan City, where the Group's factories are located, was both over 19%. In the last two years, Renminbi continued to appreciate substantially. On the material side, while most commodities were seeing substantial cost uptrend, the most terrifying one was the price increase of the rare earth, which provides neodymium, the critical material for making high performance speakers for our products. With all these unfavorable impacts, the Group has reported a loss for the period of HK\$36,871,000 (2010 Interim: profit for the period of HK\$5,172,000).

Despite of the overall unsatisfactory performance, the speaker drivers business still recorded a substantial increase in turnover reaching HK\$150,232,000, representing a year-on-year growth of 25% (2010 Interim: HK\$120,599,000). The growth was mainly attributable to the strong demand from the automotive market. For the television market, the turnover has declined and the main reason was that most television manufacturers were forced to adopt lower performance speakers for avoiding cost increase induced by the rare earth price surge.

Management Discussion and Analysis

Business Review *(Continued)*

The other three segments, communication peripheral, portable audio and desktop audio, were all recording similar level of sales decline in the review period. The communication peripheral segment registered a turnover of HK\$53,181,000 (2010 Interim: HK\$85,888,000). The turnover of the portable audio segment was HK\$128,133,000 (2010 Interim: HK\$201,058,000). The desktop audio segment, that the Group has strategically allocated fewer resources into, has recorded a turnover of HK\$49,360,000 (2010 Interim: HK\$81,019,000). The respective rate of turnover reduction was 38%, 36% and 39%. It was mostly reflecting the overall unfavorable market situation.

Financial Review

Liquidity and Financial Resources

As at 30th June, 2011, the Group's net current assets were HK\$213,668,000 (31st December, 2010: HK\$264,428,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.8 as compared to 2.0 at last year end.

As at 30th June, 2011, the Group maintained a healthy cash level with net cash and cash equivalents of HK\$99,458,000 (31st December, 2010: HK\$114,560,000) after deducting bank borrowings of HK\$20,000,000 (31st December, 2010: HK\$21,000,000). The Group had unutilized banking facilities of HK\$55,000,000 as at 30th June, 2011 (31st December, 2010: HK\$74,000,000).

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 United States 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.

Management Discussion and Analysis

Financial Review *(Continued)*

Contingent Liabilities

As at 30th June, 2011, the Group had no material contingent liabilities.

Human Resources

As at 30th June, 2011, the Group employed a total of approximately 4,900 employees (30th June, 2010: 5,400) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$81,731,000 (30th June, 2010: HK\$71,435,000). 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

The economy of the United States of America and Europe has not seen improvements since the financial crisis in 2008. In the PRC, continuous operating cost increase in the coming few years has been expected by almost all manufacturers. We believe that the macro environment will continue to be challenging. Given these facts, however, the Group believes that it is indeed a consolidation process for a lot of industries, including the acoustic industry that the Group is competing in. The industry shall gain a new dynamic along the supply chain and the Group shall be benefitted during the process. Consumers will continue to buy good quality acoustic products for music entertainment and communications. And the global economic cycle shall improve at a certain point. Setting the feet on the ground, the Group will continue on with its set strategies. We are diversifying the product portfolio and continuing to expand its customer base for broadening the income stream and therefore increasing the total turnover. We shall also invest more resources in the research and development of products with unique features and innovative ideas for improving the profitability. Expecting an on-going growing trend in operating costs, we shall continue our effort to pass on such cost increase to our customers. Our commitment to generating long term value to its employees, customers and shareholders remain intact and firm.

Interim Dividend

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30th June, 2011 (2010 interim dividend: HK1.2 cents per share).

Corporate Governance and Other Information

Compliance with the Code on Corporate Governance Practices

The Company has, throughout the six months ended 30th June, 2011, applied and complied with the principles in the Code on Corporate Governance Practices 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 (the "Directors"). 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, 2011.

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, 2011 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, 2011.

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

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

As at 30th June, 2011, 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 Directors	Capacity	Number of shares ⁽¹⁾	Number of underlying shares ^{(1), (2)}	Total number of shares	Approximate percentage of the issued shares
Cheung Wah Keung	Interest of a controlled corporation ⁽³⁾	152,655,473	–	152,655,473	47.48%
	Beneficial owner	6,504,000	–	6,504,000	2.02%
Wong Sau Lik, Weekly Peter	Beneficial owner	–	3,200,000	3,200,000	1.00%
Lai Ming, Joseph	Beneficial owner	–	300,000	300,000	0.09%
Lam King Sun, Frankie	Beneficial owner	–	300,000	300,000	0.09%
Goh Gen Cheung	Beneficial owner	–	300,000	300,000	0.09%

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions.
- (2) The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the share option scheme of the Company are detailed in the section headed "Share Option Scheme" below.
- (3) 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, 2011, 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

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 options were granted and no share options granted under the Share Option Scheme were cancelled during the six months ended 30th June, 2011. Details of the movement of the outstanding share options under the Share Option Scheme during the six months ended 30th June, 2011 are as follows:

Name	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options				As at 30/06/2011
					As at 01/01/2011	Granted	Exercised	Lapsed	
Director									
Wong Sau Lik, Weekly Peter	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	1,056,000	-	-	-	1,056,000
			15/01/2013	15/01/2013 – 27/12/2020	1,056,000	-	-	-	1,056,000
			15/01/2014	15/01/2014 – 27/12/2020	1,088,000	-	-	-	1,088,000
					3,200,000	-	-	-	3,200,000
Lai Ming, Joseph	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	-	-	-	99,000
			15/01/2013	15/01/2013 – 27/12/2020	99,000	-	-	-	99,000
			15/01/2014	15/01/2014 – 27/12/2020	102,000	-	-	-	102,000
					300,000	-	-	-	300,000

Corporate Governance and Other Information

Share Option Scheme (Continued)

Name	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options				
					As at 01/01/2011	Granted	Exercised	Lapsed	As at 30/06/2011
Director (Continued)									
Lam King Sun, Frankie	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	-	-	-	99,000
			15/01/2013	15/01/2013 – 27/12/2020	99,000	-	-	-	99,000
			15/01/2014	15/01/2014 – 27/12/2020	102,000	-	-	-	102,000
<hr/>									
					300,000	-	-	-	300,000
Goh Gen Cheung	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	-	-	-	99,000
			15/01/2013	15/01/2013 – 27/12/2020	99,000	-	-	-	99,000
			15/01/2014	15/01/2014 – 27/12/2020	102,000	-	-	-	102,000
<hr/>									
					300,000	-	-	-	300,000
Sub-total					4,100,000	-	-	-	4,100,000
<hr/>									
Eligible employees⁽¹⁾	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	917,400	-	-	132,000	785,400
			15/01/2013	15/01/2013 – 27/12/2020	917,400	-	-	132,000	785,400
			15/01/2014	15/01/2014 – 27/12/2020	945,200	-	-	136,000	809,200
<hr/>									
Sub-total					2,780,000	-	-	400,000	2,380,000
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Total					6,880,000	-	-	400,000	6,480,000

Note:

- (1) Eligible employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.

Corporate Governance and Other Information

Substantial Shareholders' Interests

As at 30th June, 2011, 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	159,159,473	49.50%
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	22,536,000	7.01%

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 6,504,000 shares held beneficially, Mr. Cheung Wah Keung is deemed to be interested in 159,159,473 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) 18,047,000 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 4,489,000 shares held beneficially, Mr. David Michael Webb is deemed to be interested in 22,536,000 shares in the Company.

Corporate Governance and Other Information

Substantial Shareholders' Interests *(Continued)*

Save as disclosed above, as at 30th June, 2011, 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.

Report on Review of Interim Financial Information

Deloitte.

德勤

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

Introduction

We have reviewed the interim financial information set out on pages 13 to 27, 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, 2011 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

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

26th August, 2011

Condensed Consolidated Income Statement

For the six months ended 30th June, 2011

		Six months ended 30th June,	
		2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
	Notes		
Revenue	3	414,550	505,144
Cost of sales		(395,076)	(443,728)
Gross profit		19,474	61,416
Other income		733	800
Selling and distribution costs		(6,005)	(9,301)
Administrative expenses		(39,335)	(38,968)
Research and development expenses		(12,428)	(7,824)
Other gains and losses		389	399
Finance costs		(4)	(4)
(Loss) profit before taxation	5	(37,176)	6,518
Taxation	6	305	(1,346)
(Loss) profit for the period		(36,871)	5,172
		HK cents	HK cents
(Loss) earnings per share	8		
– Basic		(11.47)	1.61
– Diluted		(11.47)	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2011

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period	(36,871)	5,172
Other comprehensive income		
Exchange differences arising on translation of foreign operations	558	280
Other comprehensive income for the period	558	280
Total comprehensive (expense) income for the period	(36,313)	5,452

Condensed Consolidated Statement of Financial Position

At 30th June, 2011

		30th June, 2011 HK\$'000 (Unaudited)	31st December, 2010 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	9	72,347	60,645
Intangible assets		978	978
Rental deposits		976	961
Deposits for acquisition of property, plant and equipment		2,924	6,664
		77,225	69,248
Current assets			
Inventories		112,870	116,040
Trade debtors, deposits and prepayments	10	258,954	267,039
Tax recoverable		2,074	2,167
Bank balances and cash		119,458	135,560
		493,356	520,806
Current liabilities			
Trade creditors and accrued charges	11	258,722	234,507
Tax liabilities		966	871
Bank borrowings - due within one year	12	20,000	21,000
		279,688	256,378
Net current assets		213,668	264,428
Total assets less current liabilities		290,893	333,676
Capital and reserves			
Share capital	13	3,215	3,215
Reserves		285,125	327,288
Total equity		288,340	330,503
Non-current liabilities			
Deferred tax liabilities		2,553	3,173
		2,553	3,173
Total equity and liabilities		290,893	333,676

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2011

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1st January, 2010 (audited)	3,215	89,714	4,950	244	1,652	-	242,565	342,340
Profit for the period	-	-	-	-	-	-	5,172	5,172
Exchange differences arising on translation of foreign operations	-	-	-	-	280	-	-	280
Total comprehensive income for the period	-	-	-	-	280	-	5,172	5,452
Dividend paid	-	-	-	-	-	-	(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
At 1st January, 2011 (audited)	3,215	89,714	4,950	614	2,605	-	229,405	330,503
Loss for the period	-	-	-	-	-	-	(36,871)	(36,871)
Exchange differences arising on translation of foreign operations	-	-	-	-	558	-	-	558
Total comprehensive (expense) income for the period	-	-	-	-	558	-	(36,871)	(36,313)
Recognition of equity-settled share-based payment	-	-	-	-	-	581	-	581
Dividend paid	-	-	-	-	-	-	(6,431)	(6,431)
At 30th June, 2011 (unaudited)	3,215	89,714	4,950	614	3,163	581	186,103	288,340

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2011

	Six months ended 30th June,	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash from operating activities	6,289	28,354
Investing activities		
Purchase of property, plant and equipment	(13,583)	(4,198)
Proceeds on disposal of property, plant and equipment	2	17
Interest received	546	254
Deposits paid for acquisition of property, plant and equipment	(2,924)	(1,826)
Net cash used in investing activities	(15,959)	(5,753)
Financing activities		
Dividend paid	(6,431)	(19,614)
Repayment of bank loans	(21,000)	(20,000)
Interest paid	(4)	(4)
Repayment of obligations under finance leases	–	(44)
New bank loans raised	20,000	21,000
Net cash used in financing activities	(7,435)	(18,662)
Net (decrease) increase in cash and cash equivalents	(17,105)	3,939
Cash and cash equivalents at beginning of the period	135,560	143,835
Effect of foreign exchange rate changes	1,003	190
Cash and cash equivalents at end of the period, represented by bank balances and cash	119,458	147,964

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

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 and methods of computation used in the condensed consolidated financial statements for the six months period ended 30th June, 2011 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2010.

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, 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosure
HKAS 32 (Amendments)	Classification of Right Issues

The adoption of the above new and revised standards, amendments and interpretations in the current period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets ¹
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1st July, 2011

² Effective for annual periods beginning on or after 1st January, 2013

³ Effective for annual periods beginning on or after 1st January, 2012

The directors of the Company anticipate that the application of these new or revised standards or amendments will have no material financial impact on the results and 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

4. SEGMENTAL INFORMATION

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, 2011

	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	53,181	128,133	49,360	150,232	33,644	414,550
RESULT						
Segment result	(542)	(15,437)	(6,933)	(7,596)	(5,963)	(36,471)
Unallocated other income						733
Unallocated expenses						(1,434)
Finance costs						(4)
Loss before taxation						(37,176)
Taxation						305
Loss for the period						(36,871)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

4. SEGMENTAL INFORMATION (Continued)

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

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

For the six months ended 30th June, 2011

5. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Depreciation	8,761	8,830
Loss on disposal of property, plant and equipment (included in other gains and losses)	15	315
Write down of inventories (included in cost of sales)	5,552	1,248
Share-based payment expense	581	–
Interest income	(546)	(254)
	–	–

6. TAXATION

	Six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
Current tax for the period		
Hong Kong	244	827
PRC Enterprise Income Tax	71	590
	315	1,417
Deferred tax for the period	(620)	(71)
	(305)	1,346

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

6. TAXATION (Continued)

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 was calculated at 12.5% for a PRC subsidiary which was eligible for the 50% relief for the period ended 30th June, 2010 but no provision for PRC Enterprise Income Tax has been made for the PRC subsidiary for the current period as the PRC subsidiary has no assessable profits arising in the PRC. For the PRC subsidiary without preferential tax rates, the subsidiary is subject to PRC Enterprise Income Tax at 25%.

Deferred tax has been provided for temporary differences arising from accelerated tax depreciation in respect of property, plant and equipment in both periods. For the six months ended 30th June, 2010, deferred tax was also provided for withholding tax at applicable tax rate of the undistributed earnings of a PRC subsidiary.

7. DIVIDENDS

	Six months ended 30th June,	
	2011 HK\$'000	2010 HK\$'000
Dividend recognised as distribution during the period:		
Final dividend paid in respect of dividend declared for 2010 of HK2.0 cents (2010: HK4.3 cents in respect of dividend declared for 2009) per share	6,431	13,826
Special dividend paid in respect of dividend declared for 2010 of nil (2010: HK1.8 cents in respect of dividend declared for 2009) per share	–	5,788
	6,431	19,614

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

7. DIVIDENDS (Continued)

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2011 (six months ended 30th June, 2010: HK1.2 cents per share).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30th June,	
	2011	2010
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share		
(Loss) profit for the period	(36,871)	5,172
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	321,545	321,545

The computation of diluted loss per share for the current period does not assume the exercise of the Company's options because it will reduce the amount of loss per share. No diluted earnings per share is presented for the six months ended 30th June, 2010 because there was no potential ordinary shares outstanding throughout the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$20,247,000 (six months ended 30th June, 2010: HK\$4,198,000).

10. 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, 2011 HK\$'000	31st December, 2010 HK\$'000
0 to 30 days	84,573	79,334
31 to 60 days	68,243	83,337
61 to 90 days	61,446	65,537
91 to 120 days	21,862	26,838
Over 120 days	1,127	1,733
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	237,251	256,779
Other debtors, deposits and prepayments	21,703	10,260
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	258,954	267,039
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Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

11. 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, 2011	31st December, 2010
	HK\$'000	HK\$'000
0 to 30 days	91,607	72,998
31 to 60 days	46,495	52,439
61 to 90 days	41,466	32,085
91 to 120 days	22,335	28,026
Over 120 days	7,203	3,181
	209,106	188,729
Accrued charges	49,616	45,778
	258,722	234,507

12. BANK BORROWINGS

	30th June, 2011	31st December, 2010
	HK\$'000	HK\$'000
Unsecured bank borrowings	20,000	21,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31st December, 2010 and 30th June, 2011	500,000,000	5,000
Issued and fully paid:		
At 31st December, 2010 and 30th June, 2011	321,545,564	3,215

14. CAPITAL COMMITMENTS

At 30th June, 2011, the Group had commitments for capital expenditure of approximately HK\$1,929,000 (31st December, 2010: HK\$7,482,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

15. RELATED PARTY TRANSACTION

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

Name of related party	Nature of transaction	Six months ended 30th June,	
		2011 HK\$'000	2010 HK\$'000
Directors and key management	Remuneration	6,690	5,870