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 2011

realizing sound ideas

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Cheung Wah Keung *(Chairman of the Board)*
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

Nomination Committee

Mr. Goh Gen Cheung *(Chairman of the Committee)*
Mr. Lai Ming, Joseph
Dr. Lam King Sun, Frankie
Mr. Cheung Wah Keung

Authorized Representatives

Mr. Cheung Wah Keung
Mr. Wong Sau Lik, Weeky 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

Corporate Information

Head Office

Unit 1506, 15th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Principal Place of Business in Hong Kong

Unit 1506, 15th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon
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
Nanyang Commercial Bank, Limited

Legal Adviser

Conyers Dill & Pearman, Cayman

Stock Code

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

Website

www.shinhint.com

Chairman's Statement

Cheung Wah Keung
Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board") of Shinhint Acoustic Link Holdings Limited (the "Company"), I present to you the audited annual results for the year ended 31st December, 2011 of the Company and its subsidiaries (the "Group").

2011 marked the most difficult year since the Group started business in 1990. The global economy was all hindered by the debt crisis in Europe and the United States of America (the "United States") was just able to avoid continuous dipping after the financial crisis broke out in 2008. While the Group was able to maintain the level of turnover with the expanded customer base, the operating costs in the People's Republic of China (the "PRC") continued the sharp rising trend and the commodities cost was surpassing the heights recorded before the financial turmoil happened three years ago. While most of the Group's customers are facing different challenges, after exerting the best possible efforts, the Group was only able to pass on a portion of the cost increase to them and have therefore recorded a net loss of HK$35,990,000 in the reporting year. As a matter of fact, a peer group analysis conducted by the Group has revealed that almost all peer companies in the acoustic industry operating in the PRC are seeing a similar margin erosion trend. Among all the adverse factors, the mandatory increase of labour wage, rise in material costs and appreciation of the Renminbi were the most impactful ones.

Chairman's Statement

In the reporting year, with the exception of audio headphones, literally all finished product segments that the Group served stayed stagnant. While the smartphone and the tablet computer markets kept growing, market research showed that most of their related acoustic peripherals and accessories were not following suit. Few innovations were seen and the Group's long-standing customers were not only reducing their orders, but also showed great hesitation and reservation in introducing new products. Nevertheless, on the speaker driver side, we recorded continued increase for the automotive industry. However, while there was real demand increase, the segmental surge reported was somehow inflated by the skyrocketed cost of neodymium magnet, which is an extract of rare earth.

The new financial year of 2012 shall be in most part under the very similar macro environment of its preceding year. The Group's major export markets shall take considerable period of time to recover while the operating costs in the PRC shall continue to rise. However, as competitions are at level playing field, the Group conservatively sees opportunities for 2012 to be stabilizing with reasons of three folds. First, the newly acquired major customers shall continue to grow and shall start to be substantial revenue contributors to the Group. Second, the popularity of Android devices, which have no standard connector location like their counterpart Apple devices, has pumped up the demand of bluetooth connectivity that helps the increase of average selling price and hopefully profit margin. Third, 2011 saw bankruptcies of several peer companies and the competitive environment should become healthier after the harsh consolidation period.

Given the reality that the global economy shall still be full of uncertainties, the Group shall focus on sustaining a healthy financial position and resuming profitability in the coming year. While cost control measures will be implemented across all operations, we shall at the same time make sure that the long term competitiveness and future development will not be undermined. The Group shall strive to capitalize from its expanded customer base and the research and development (the "R&D") capabilities acquired in the last two years.

On behalf of the Board, I would like to extend my sincere gratitude to our business partners and shareholders for their continued support. The management team and all staff members should also be lauded for their unwavering efforts and dedication to the Group. We will work closely together for ensuring the sustainability of the Group and remain committed to generating greater returns for our shareholders.

Cheung Wah Keung
Chairman of the Board

23rd March, 2012

Management Discussion and Analysis

Market Review

For most of the export oriented manufacturing companies in the PRC, 2011 was actually a year between two fires. On the market side, there were clouds in Europe due to the deepened debt crisis while the United States was still striving for economic recovery since the financial turmoil happened three years ago. On the operation side, in the PRC, costs continued to rise due to mandatory labour wage increase, material cost increase and Renminbi appreciation. It was an extremely unfavorable environment for most companies along the supply chain. Although the smart phone and tablet computer markets continued to see growth, the overall demand for their acoustic accessories and peripherals were sluggish. The Group's analysis showed that the profit margins of most peer companies were severely eroded while the long-standing customers of the Group were all recording deteriorated financial performance.

With the relatively stable automotive market, the demand of the Group's speaker drivers has recorded stable growth. However, the outrageous surge of neodymium magnet cost has pushed TV makers to go for using lower grade speaker drivers. This trend has caused additional burden on the already soft TV demand.

Business Review

The speaker drivers business was still the fast growing segment of the Group. For the year ended 31st December, 2011, its turnover climbed to HK$443,864,000 (2010: HK$262,921,000), a year-on-year growth of 69%. The significant growth was predominantly from the automotive industry. However, while there was actual demand growth, a significant portion of the turnover increase was actually contributed by the surge of the neodymium magnet cost, which is an extract from rare earth and is an irreplaceable component for some speaker types. Demands from other industries, mainly TV and audio, were soft.

The turnover of the communication peripheral segment was reduced to HK$153,368,000 (2010: HK$179,832,000), representing a year-on-year drop of 15%. For portable audio, turnover saw a decrease of 10%, reaching HK$383,723,000 (2010: HK$426,542,000). The declined turnover of both segments was a direct reflection of the unfavorable economic environment and the subsequent declined performance of our long-standing customers in their respective markets. According to NPD Group, Inc., an industry and market research services provider in the United States, except for audio headphones, the sales of product categories that the Group produced were all stagnant in 2011 in the United States. On the other end, orders for European distributions were significantly affected under the pessimistic sentiment caused by the debt crisis across the whole continent. During the reporting year, a major customer of the Group awkwardly cancelled a major speaker project after our successful initial production run. It did not only cause substantial loss of sales and opportunity cost for the Group, it also took time for the Group to get reimbursement from the customer for materials ordered and unused.

The desktop audio business continued to drop as we have strategically planned. Its turnover was further reduced to HK$95,889,000 (2010: HK$144,296,000), accounting for only 8% of the Group's overall turnover.

Management Discussion and Analysis

Business Review *(Continued)*

The turnover of product segment of "Others" recorded a growth of 73%, reaching HK$73,680,000 (2010: HK$42,563,000). The substantial growth was a contribution of the combined sales of plastic injection parts, components and a high end digital recorder manufactured for a new Japanese customer.

Expanding the customer base has been a key strategy of the Group. It does not only provide a stronger foundation for revenue growth, the long-standing risk of customer concentration can also be mitigated. During the year under review, the largest customer of the Group was 33% of the Group's turnover (2010: 44%) and the top five customers were 74% (2010: 80%). We consider it a healthier portfolio and expect the concentration risk to be further alleviated in the coming year for attaining a more balanced revenue stream.

In terms of geographical coverage, the United States became the Group's largest market, accounting for 29% of turnover for the year ended 31st December, 2011. The PRC, recorded 21% of the turnover of the Group, took the place of the Netherlands, a major logistics hub in Europe, and became the Group's second largest market.

Operation Review

The operating environment in the PRC continued to be unfriendly to the manufacturing sector. Mandatory minimum wage was increased by over 90% in the last six years in Dongguan City of the PRC, where the Group's two factories are located. Renminbi has appreciated by over 27% during the same period. Almost all commodities costs are continuing on with the increasing trend. The management believes that all these costs will continue to go higher and the years ahead are going to be even more challenging. The Group will push even harder to pass on the cost increase to the market by raising selling price and developing products of higher profitability for counteracting the cost impacts.

Recruitment, retention and management of workers in the PRC have become major challenges in the last few years. There was no lack of headlines on these topics on the newspapers. As a matter of fact, the very high turnover rate of labour has already caused significant efficiency loss to the Group. In the coming year, the Group will strengthen its human resources functions and offer more competitive wages for stabilizing the workforce. We are certain that a stable workforce will bring efficiency improvements, which will eventually reflected by financial benefits.

Facing all the challenges, however, the Group believes that the PRC is still offering the strongest overall competitiveness for the electronic industries with its sophisticated supply chain and availability of highly skillful middle management and engineers compared with most of the other countries.

Management Discussion and Analysis

Financial Review

Results Performance

For the year ended 31st December, 2011, the Group's turnover increased by 9% from that of last year to HK$1,150,524,000 (2010: HK$1,056,154,000). The gross profit dipped by 38% and the Group has reported a loss for the year of HK$35,990,000 (2010: profit of HK$10,683,000) which were mainly attributable to the continuous increase in production costs as a result of the surge in labour costs, rise in raw material prices and appreciation of Renminbi.

For the year under review, basic loss per share was approximately HK11.2 cents (2010: basic earnings per share of HK3.3 cents). The Board did not recommend the payment of a final dividend for the year ended 31st December, 2011.

Liquidity and Financial Resources

As at 31st December, 2011, the Group maintained a cash level with net cash and cash equivalents of HK$57,099,000 (2010: HK$114,560,000) and unutilized banking facilities of HK$20,000,000 (2010: HK$74,000,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.5 compared with 2.0 in 2010.

The Group's trade debtors amounted to HK$371,647,000 as at 31st December, 2011 (2010: HK$256,779,000). Substantial amount of the trade debtors were settled after the end of the reporting period. The remaining unsettled amount is considered recoverable as the balances related to a number of independent customers that have a good track record with the Group.

The Group's gearing ratio increased from 6.4% to 10.4% as at 31st December, 2011. The ratio was calculated by dividing total borrowings of HK$30,000,000 (2010: HK$21,000,000) by shareholders' equity of HK$288,935,000 (2010: HK$330,503,000).

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 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 31st December, 2011, the Group had no material contingent liabilities.

Pledge on the Group's Assets

As at 31st December, 2011, no assets had been pledged to secure the Group's banking facilities.

Prospects

The recovery of the economy in the United States and Europe is believed to be a very long process. When helps from economic growth are still distant, the Group's strategies are to increase our market shares and to develop products with higher price tag and higher margin. The capability and capacity of R&D are pivotal for this direction. While we are working everyday to reduce the operating costs, we will continue to strengthen our R&D in the most effective manner.

Looking ahead, the Group shall continue to focus on its core businesses for going through this period of industry's consolidation. We will make every effort to capitalize from the expanded customer base and the strengthened R&D capabilities. The wider wireless technologies' applications shall provide more opportunities to the Group for enhancing the sales and profitability.

The whole management team is committed to working closely together for most timely stabilization of the operations and resuming profitability for the Group and the investors.

Employees

As at 31st December, 2011, the Group's work force totaled approximately 4,100 (2010: approximately 4,500) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$188,924,000 (2010: HK$154,671,000). 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, 2011, applied and complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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, 2011.

Board of Directors

Composition

The Board consists of five members, including two 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. Wong Sau Lik, Weeky Peter

Independent Non-Executive Directors

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

Corporate Governance Report

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"), a remuneration committee (the "Remuneration Committee") and a nomination committee (the "Nomination 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 (the "CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The roles of Chairman and CEO are separated and assumed by Mr. Cheung Wah Keung and Mr. Wong Sau Lik, Weeky Peter respectively. The Chairman formulates the overall strategic direction of the Group whereas the CEO is responsible for the overall implementation of corporate strategies of the Group.

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.

Board of Directors *(Continued)*

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 comment 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**	**2**
Executive Directors			
Mr. Cheung Wah Keung	4	N/A	2
Mr. Wong Sau Lik, Weeky Peter	4	N/A	N/A
Independent Non-Executive Directors			
Mr. Lai Ming, Joseph	4	2	2
Dr. Lam King Sun, Frankie	4	2	2
Mr. Goh Gen Cheung	4	2	2

Directors' Terms of Appointment

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

Nomination of Directors

The Company did not have a nomination committee during the year and up to 22nd March, 2012. The Nomination Committee was established on 23rd March, 2012.

Prior to the establishment of the 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 Board has considered the re-election of Directors, who retire according to Article 87 of the Articles of Association of the Company and separate resolutions had been proposed for the re-election of retired Directors at the annual general meeting of the Company held on 18th May, 2011.

Board Committees

The Board has established three committees, namely Audit Committee, Remuneration Committee and Nomination 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 websites of the Company and the Stock Exchange.

The Audit Committee held two meetings in 2011 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 2011, the work performed by the Audit Committee included:

- reviewing the consolidated financial statements for the year ended 31st December, 2010 and the annual results announcement;
- reviewing the interim consolidated financial statements for the six months ended 30th June, 2011 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;
- reviewing the Group's risk management processes; and
- reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

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, 2011 have been reviewed by the Audit Committee.

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 websites of the Company and the Stock Exchange.

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 two times in the year 2011 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. No member took part in voting about his own remuneration at the meeting.

Nomination Committee

The Nomination Committee was established on 23rd March, 2012. The Nomination Committee comprises three Independent Non-Executive Directors, namely Mr. Goh Gen Cheung, Dr. Lam King Sun, Frankie and Mr. Lai Ming, Joseph and one Executive Director, namely Mr. Cheung Wah Keung. The Nomination Committee is chaired by Mr. Goh Gen Cheung.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, make recommendations to the Board on the appointment or re-appointment of Directors and assess the independence of the Independent Non-Executive Directors. The terms of reference of the Nomination Committee follow the code provisions set out in the CG Code and are available on the websites of the Company and the Stock Exchange.

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.

Corporate Governance Report

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, 2011 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.

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, 2011 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 27 to 28 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, 2011, services provided to the Company by its external auditor, Messrs. Deloitte Touche Tohmatsu, and the respective fees paid were:

	2011	2010
	HK$	HK$
Audit services	**1,138,000**	1,172,000
Other non-audit services	**344,000**	353,000

Corporate Governance Report

Investor Relations and Communication with Shareholders

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

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

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

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

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

Biographical Details of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Cheung Wah Keung, aged 50, has been a director of Shinhint Industries Limited, an indirect wholly owned subsidiary of the Company, since August 1992. He has been the Chairman and an Executive Director of the Company since May 2005 and is responsible for formulating the overall strategic direction of the Group. Mr. Cheung has over 20 years of experience in management of trading and manufacture of consumer electronic products. He obtained a Bachelor degree in Business Administration from the Chinese University of Hong Kong and a Master degree in Corporate Governance from The Hong Kong Polytechnic University. 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. Wong Sau Lik, Weeky Peter, aged 49, has been an Executive Director and CEO since 23rd March, 2009 and 1st August, 2009 respectively. Mr. Wong is responsible for the overall implementation of corporate strategies of the Group. Mr. Wong has over 25 years of working experience in international sales and marketing, of which more than 11 years of experience are in corporate management. He holds a Master degree in 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 67, 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, 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 Dynasty Fine Wines Group Limited but resigned with effect from 1st January, 2011.

Mr. Lai is also a director of Hong Kong University of Science and Technology R and D Corporation Limited. He is also independent non-executive directors of Chen's Holdings Limited and Sheng Fung Company, Limited.

Biographical Details of Directors and Senior Management

Board of Directors *(Continued)*

Independent Non-Executive Directors *(Continued)*

Dr. Lam King Sun, Frankie, aged 51, has been an Independent Non-Executive Director of the Company since June 2005. He has over 24 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 65, 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 Beijing Properties (Holdings) Limited and CEC International Holdings Limited, both 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 and China Flavors and Fragrances Company Limited until 8th February, 2009 and 16th December, 2009 respectively.

Senior Management

Dr. Ching Boon Huat, aged 51, joined the Group in July 2006 and is the Chief Operating Officer of the Company 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 44, joined the Group in April 2007 as Chief Financial Officer. She is responsible for the overall financial control, treasury management, human resources, administration and information technology 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 HKICPA. She has over 23 years of experience in auditing, accounting and corporate financial management.

Mr. Chan Yick Fung, aged 45, joined the Group in April 2005 and is the Chief Technical Officer of the Company. 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. Tang Chung Hong, Philip, aged 51, joined the Group in July 1996 and is the director of business development of Tai Sing Industrial Company Limited ("Tai Sing"), an indirect wholly owned subsidiary of the Company. 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.

Senior Management *(Continued)*

Mr. Leung Yiu San, Ronson, aged 49, joined the Group in November 2009 and is the director of business development of Tai Sing. He has over 22 years of sales and marketing experience in related industries. Mr. Leung received his Bachelor of Social Sciences degree from the University of Hong Kong in 1984 and Master of Science degree from the London School of Economics and Political Science in 1991.

Mr. Lo Ka Shun, aged 48, joined the Group in August 2008 and is the director of product development of Tai Sing. Prior to joining the Group, he worked in Logitech Group responsible for project management and engineering functions. He has over 23 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. Cheong Lik Ming, aged 40 joined the Group in April 2005 and is the director of technology and research of Tai Sing. Mr. Cheong has 17 years of experience as an engineering professional focused primarily on wireless communication and embedded system designs. He has served in various positions with extensive experience in product development and engineering management during his career. He received his Bachelor of Engineering and Master of Philosophy in Electronic Engineering degrees from the Chinese University of Hong Kong in 1993 and 1995 respectively.

Mr. Wang Dong, aged 53, joined the Group in 1997 and is the director of Tai Sing 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. Liang Hao, aged 34, joined the Group in September 1999 and is the vice president of operations of Tai Sing responsible for the operations management. Mr. Liang has over 12 years of experience in logistic operation and raw materials sourcing management. Mr. Liang graduated from the South China University of Technology in July 1999.

Mr. Leung Chi Keung, Frederick, aged 51, joined the Group in September 1995 and is the director of business development of Crown Million Industries (International) Limited ("Crown Million"), an indirectly wholly owned subsidiary of the Company. Mr. Leung has approximately 15 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. Su Zhiyong, aged 39, re-joined the Group in April 2011 as the director of operations of Crown Million. Mr. Su first joined the Group in 1994 and was the director of Tai Sing responsible for production, engineering, and human resources and administration until he left in 2010. 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.

Report of the Directors

The directors of the Company (the "Directors") present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31st December, 2011.

Principal Activities

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 30 to the consolidated financial statements.

Results and Appropriations

The results for the year ended 31st December, 2011 are set out in the consolidated income statement on page 29.

No interim dividend was paid during the year. The Directors do not recommend the payment of a final dividend 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 32.

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, 2011 are set out in note 21 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 22 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. Wong Sau Lik, Weeky Peter

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. Wong Sau Lik, Weeky Peter and Mr. Lai Ming, Joseph will retire by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

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

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

At 31st December, 2011, 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 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	9,260,000	–	9,260,000	2.88%
Wong Sau Lik, Weeky 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%

Report of the Directors

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

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 31st December, 2011, 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 23 to the consolidated financial statements. No share options were granted and no share options granted under the share option scheme of the Company approved and adopted on 25th June, 2005 (the "Share Option Scheme") were cancelled during the year.

Details of the share options granted, exercised, lapsed and outstanding under the Share Option Scheme during the year are as follows:

					Number of share options				
Name	Date of grant (dd/mm/yyyy)	Exercise price HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	As at 01/01/2011	Granted	Exercised	Lapsed	As at 31/12/2011
Director									
Wong Sau Lik, Weeky 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

Report of the Directors

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 31/12/2011
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
					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
					300,000	–	–	–	300,000
Sub-total					4,100,000	–	–	–	4,100,000
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
Sub-total					2,780,000	–	–	400,000	2,380,000
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.

Substantial Shareholders' Interests

As at 31st December, 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	161,915,473	50.36%
David Michael Webb[3]	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 9,260,000 shares held beneficially, Mr. Cheung Wah Keung is deemed to be interested in 161,915,473 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) 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.

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

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 28 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 23 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Securities

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31st December, 2011.

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, 2011, the five largest customers accounted for approximately 74% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 33% of the Group's total turnover.

For the year ended 31st December, 2011, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

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.

Report of the Directors

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, 23rd March, 2012

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 29 to 76, which comprise the consolidated statement of financial position as at 31st December, 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, 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. 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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

Auditor's Responsibility *(Continued)*

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2011, and of its loss 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

23rd March, 2012

Consolidated Income Statement

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	7	**1,150,524**	1,056,154
Cost of sales		**(1,071,315)**	(927,588)
Gross profit		**79,209**	128,566
Other income	8	**1,385**	1,272
Selling and distribution costs		**(17,613)**	(19,077)
Administrative expenses		**(78,294)**	(77,951)
Research and development expenses		**(25,294)**	(17,415)
Other gains and losses		**2,229**	(2,692)
Finance costs	9	**(7)**	(11)
(Loss) profit before taxation	10	**(38,385)**	12,692
Taxation	11	**2,395**	(2,009)
(Loss) profit for the year		**(35,990)**	10,683
(Loss) earnings per share	14		
Basic (HK dollar)		**(0.11)**	0.03
Diluted (HK dollar)		**(0.11)**	0.03

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year	**(35,990)**	10,683
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations	**1,470**	953
Exchange differences reclassified to profit or loss upon deregistration of a foreign operation	**(1,776)**	–
Other comprehensive (expense) income for the year	**(306)**	953
Total comprehensive (expense) income for the year	**(36,296)**	11,636

Consolidated Statement of Financial Position

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Property, plant and equipment	15	**77,806**	60,645
Intangible assets	16	**978**	978
Rental deposits		**991**	961
Deposits for acquisition of property, plant and equipment		**637**	6,664
		80,412	69,248
Current Assets			
Inventories	17	**134,828**	116,040
Trade debtors, deposits and prepayments	18	**400,724**	267,039
Tax recoverable		**1,860**	2,167
Bank balances and cash	19	**87,099**	135,560
		624,511	520,806
Current Liabilities			
Trade creditors and accrued charges	20	**384,727**	234,507
Tax liabilities		**682**	871
Bank borrowings – due within one year	21	**30,000**	21,000
		415,409	256,378
Net Current Assets		**209,102**	264,428
Total Assets less Current Liabilities		**289,514**	333,676
Capital and Reserves			
Share capital	22	**3,215**	3,215
Reserves		**285,720**	327,288
Total Equity		**288,935**	330,503
Non-current Liabilities			
Deferred tax liabilities	24	**579**	3,173
		289,514	333,676

The consolidated financial statements on pages 29 to 76 were approved and authorised for issue by the Board of Directors on 23rd March, 2012 and are signed on its behalf by:

Cheung Wah Keung
DIRECTOR

Wong Sau Lik, Weeky Peter
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2011

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Exchange reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1st January, 2010	3,215	89,714	4,950	244	1,652	–	242,565	342,340
Profit for the year	–	–	–	–	–	–	10,683	10,683
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operations	–	–	–	–	953	–	–	953
Total comprehensive income for the year	–	–	–	–	953	–	10,683	11,636
Final dividend paid in respect of 2009 (note 13)	–	–	–	–	–	–	(13,826)	(13,826)
Special dividend paid in respect of 2009 (note 13)	–	–	–	–	–	–	(5,788)	(5,788)
Interim dividend paid in respect of 2010 (note 13)	–	–	–	–	–	–	(3,859)	(3,859)
Transfer	–	–	–	370	–	–	(370)	–
At 31st December, 2010	3,215	89,714	4,950	614	2,605	–	229,405	330,503
Loss for the year	–	–	–	–	–	–	(35,990)	(35,990)
Other comprehensive expense for the year:								
Exchange differences arising on translation of foreign operations	–	–	–	–	1,470	–	–	1,470
Exchange differences reclassified to profit or loss upon deregistration of a foreign operation	–	–	–	–	(1,776)	–	–	(1,776)
Total comprehensive expense for the year	–	–	–	–	(306)	–	(35,990)	(36,296)
Recognition of equity-settled share-based payment	–	–	–	–	–	1,159	–	1,159
Final dividend paid in respect of 2010 (note 13)	–	–	–	–	–	–	(6,431)	(6,431)
Transfer	–	–	–	466	–	–	(466)	–
At 31st December, 2011	3,215	89,714	4,950	1,080	2,299	1,159	186,518	288,935

Notes:

(a) 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.

(b) Statutory reserve represents general reserve fund required to be set up pursuant to the relevant People's Republic of China ("PRC") laws applicable to a Group's subsidiary in the PRC.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
(Loss) profit before taxation	(38,385)	12,692
Adjustments for:		
Finance costs	7	11
Depreciation	18,832	17,734
Share-based payment expense	1,159	–
Exchange gain realised on deregistration of a foreign operation	(1,776)	–
Impairment loss (reversed) recognised on other debtors	(314)	389
Write down (reversal of write down) of inventories	7,197	(1,583)
Interest income	(1,182)	(367)
(Gain) loss on disposal of property, plant and equipment	(135)	1,872
Operating cash flows before movements in working capital	(14,597)	30,748
Increase in inventories	(25,985)	(36,601)
(Increase) decrease in trade debtors, deposits and prepayments	(132,889)	30,537
Increase in trade creditors and accrued charges	146,457	11,289
Deposit paid for rental deposits	–	(372)
Cash (used in) generated from operations	(27,014)	35,601
Income tax paid	(80)	(3,689)
Net cash (used in) from operating activities	(27,094)	31,912
Investing activities		
Purchase of property, plant and equipment	(26,656)	(13,124)
Proceeds on disposal of property, plant and equipment	164	181
Interest received	1,182	367
Deposits paid for acquisition of property, plant and equipment	(637)	(6,664)
Net cash used in investing activities	(25,947)	(19,240)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
Financing activities		
Repayment of obligations under finance leases	–	(44)
New bank borrowings raised	50,000	42,000
Repayment of bank borrowings	(41,000)	(41,000)
Dividends paid	(6,431)	(23,473)
Interest paid	(7)	(11)
Net cash from (used in) financing activities	2,562	(22,528)
Net decrease in cash and cash equivalents	(50,479)	(9,856)
Effect of foreign exchange rate changes	2,018	1,581
Cash and cash equivalents at beginning of the year	135,560	143,835
Cash and cash equivalents at end of the year, representing bank balances and cash	87,099	135,560

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

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 30.

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

New and revised Standards, Amendments and Interpretations (collectively the "new and revised HKFRSs") applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (as revised in 2009)	Related Party Disclosure
Amendments to HKAS 32	Classification of Right Issues

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised Standards, Amendments and Interpretations (collectively the "new and revised HKFRSs") applied in the current year *(Continued)*

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group elects to present such analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
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]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[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, 2015
4 Effective for annual periods beginning on or after 1st July, 2012
5 Effective for annual periods beginning on or after 1st January, 2012
6 Effective for annual periods beginning on or after 1st January, 2014

The directors of the Company anticipate that the application of these new and revised HKFRSs 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. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

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.

The principal accounting policies are set out below.

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 and up to the effective date of disposal, as appropriate.

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of returns and allowances.

Revenue from 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 on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 non-current 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 non-current assets below). Amortisation for intangible assets with finite 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 profit or loss in the period when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other debtors, and bank balances and cash) 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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 financial asset's 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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 loss 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 instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade creditors and accrued charges, and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

In addition, intangible assets with indefinite useful lives are tested for impairment at least 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 immediately in profit or loss.

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 gain immediately.

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 end of the reporting period.

Deferred tax is recognised on temporary 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. 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, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 end of the reporting period, 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 in other comprehensive income and accumulated in equity under the heading of exchange reserve.

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 the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. KEY SOURCE 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 estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Impairment of property, plant and equipment

If circumstances indicate that the carrying value of property, plant and equipment, may not be recoverable, these assets may be considered to be impaired, and an impairment loss may be recognised in accordance with HKAS 36, Impairment of Assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to their recoverable amounts. The recoverable amount is higher of value in use and fair value less cost to sell. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. No impairment loss (2010: Nil) is recognised during the year as the management considers that the recoverable amount of the property, plant and equipment exceeds their carrying amounts at the end of the reporting period. However, when the actual outcome or expectation in future is different from the original estimates, an impairment loss may have to be recognised.

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 bank borrowings disclosed in note 21) and equity, comprising issued share capital, share premium, reserves and retained profits.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2011	2010
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**460,153**	393,638
Financial liabilities		
At amortised cost	**406,330**	251,038

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other debtors, bank balances, trade creditors and accrued charges, and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (i.e. interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group's exposure in the interest rate risk arises from the cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 19 and 21). 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Interest rate risk *(Continued)*

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 in the consolidated statements of financial position are as follows:

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**3,134**	2,842	**28,237**	16,245
United States dollars	**363,032**	262,503	**150,543**	65,030

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 6% (2010: 6%) increase and decrease in Renminbi against Hong Kong dollars. The sensitivity rate of 6% (2010: 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 end of the reporting period for a 6% (2010: 6%) change in foreign currency rate. A negative number of the net impact indicates an increase in post-tax loss for the year (2010: a decrease in post-tax profit for the year) where Renminbi strengthen against Hong Kong dollars. For a 6% (2010: 6%) weakening of Renminbi against Hong Kong dollars, there would be an equal and opposite impact on the loss (2010: profit) for the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Currency risk *(Continued)*

Sensitivity analysis *(Continued)*

	Impact of RMB	
	2011	2010
	HK$'000	HK$'000
Increase in loss/decrease in profit for the year	**(1,382)**	(738)

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

Credit risk

As at 31st December, 2011, 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 statement of financial position.

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 of certain foreign countries. The top five customers of the Group accounted for about 71% (2010: 78%) of the Group's trade debtors as at 31st December, 2011. 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 the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

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, 2011, the Group had available unutilised overdraft and short-term bank loan facilities of approximately HK$20,000,000 (2010: HK$74,000,000). Details of which are set out in note 21.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

2011	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 to 4 months HK$'000	4 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31st December, 2011 HK$'000
Non-interest bearing	–	373,006	1,153	2,171	376,330	376,330
Variable interest rate instruments	1.54	30,115	–	–	30,115	30,000
		403,121	1,153	2,171	406,445	406,330

2010	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 to 4 months HK$'000	4 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31st December, 2010 HK$'000
Non-interest bearing	–	209,261	20,250	527	230,038	230,038
Variable interest rate instruments	0.89	21,004	–	–	21,004	21,000
		230,265	20,250	527	251,042	251,038

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow.

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.

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 operating and reportable segments which are sales of communication peripheral, portable audio, desktop audio and speaker drivers. The information of each reportable segment is 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 sales of miscellaneous parts and accessories.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information of the Group's revenue and results by reportable segment is presented below:

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	153,368	383,723	95,889	443,864	73,680	1,150,524
RESULT						
Segment result	(3,024)	(23,248)	(11,001)	5,704	(7,806)	(39,375)
Unallocated income						3,161
Unallocated expenses						(2,164)
Finance costs						(7)
Loss before taxation						(38,385)
Taxation						2,395
Loss for the year						(35,990)

Other information

	Communication peripheral HK$'000	Portable audio HK$'000	Desktop audio HK$'000	Speaker drivers HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment result:						
Depreciation	3,260	8,182	2,045	3,774	1,571	18,832
Loss (gain) on disposal of property, plant and equipment	4	12	3	(156)	2	(135)
Write down of inventories	1,175	2,948	736	1,772	566	7,197
Impairment loss reversed on other debtors	–	(314)	–	–	–	(314)
Research and development expenses	4,949	12,432	3,106	2,420	2,387	25,294

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

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	179,832	426,542	144,296	262,921	42,563	1,056,154
RESULT						
Segment result	9,658	1,730	101	1,738	185	13,412
Unallocated income						1,272
Unallocated expenses						(1,981)
Finance costs						(11)
Profit before taxation						12,692
Taxation						(2,009)
Profit for the year						10,683

Other information

	Communication peripheral HK$'000	Portable audio HK$'000	Desktop audio HK$'000	Speaker drivers HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment result:						
Depreciation	3,204	8,652	2,928	2,086	864	17,734
Loss on disposal of property, plant and equipment	242	145	46	1,425	14	1,872
Reversal of write down of inventories	(84)	(1,294)	(68)	(117)	(20)	(1,583)
Impairment loss on other debtors	–	389	–	–	–	389
Research and development expenses	3,124	8,318	2,814	2,329	830	17,415

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Total segment assets and liabilities are not disclosed as they are not regularly reviewed by the chief operating decision maker.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets.

	Revenue from external customers Year ended		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
The Netherlands	**172,719**	243,166	**–**	–
United States of America	**331,846**	327,117	**–**	–
PRC	**247,133**	233,608	**80,412**	69,248
Belgium	**174,851**	49,084	**–**	–
Other countries	**223,975**	203,179	**–**	–
	1,150,524	1,056,154	**80,412**	69,248

Information about major customers

Included in revenues arising from sales of communication peripheral, portable audio and desktop audio are revenues of approximately HK$366 million (2010: HK$461 million) which arose from sales to the Group's major customer which accounted for over 10% of the Group's revenue for the year. Sales of speaker drivers to another major customer of approximately HK$378 million (2010: HK$199 million) also accounted for over 10% the Group's revenue for the year.

8. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Bank interest income	**1,182**	367
Sundry income	**203**	905
	1,385	1,272

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank borrowings wholly repayable within five years	**7**	11

10. (LOSS) PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,138**	1,172
Cost of inventories recognised as an expense including write down of inventories of HK$7,197,000 (2010: reversal of write down of inventories of HK$1,583,000)	**1,071,315**	927,588
Depreciation	**18,832**	17,734
Net exchange (gain) loss (included in other gains and losses)	**(2,094)**	820
Staff costs		
Directors' emoluments (included share-based payment expense of HK$734,000 (2010: Nil) and retirement benefit scheme contributions of HK$24,000 (2010: HK$24,000)) (note 12)	**5,083**	4,292
Retirement benefit scheme contributions (note 27)	**4,076**	3,321
Share-based payment expense	**425**	–
Other staff costs	**184,423**	151,350
Total staff costs	**194,007**	158,963
Operating lease rentals in respect of rented premises	**8,908**	7,831
Other rental expenses	**9,877**	9,673
Impairment loss (reversed) recognised on trade and other debtors	**(314)**	389
(Gain) loss on disposal of property, plant and equipment (included in other gains and losses)	**(135)**	1,872

Note:

For the year ended 31st December, 2010, the management reviewed the net realisable value of the existing inventories and the estimated selling prices of respective models, write down of inventories of HK$1,583,000 have been reversed in consolidated income statement.

11. TAXATION

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Current tax for the year		
Hong Kong	308	1,733
PRC Enterprise Income Tax	743	781
	1,051	2,514
Overprovision in prior years		
Hong Kong	(82)	(304)
PRC Enterprise Income Tax	(770)	–
	(852)	(304)
Deferred taxation (note 24)		
Current year	(2,594)	(201)
	(2,395)	2,009

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

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group is exempted from PRC Enterprise Income Tax for two years starting from its first profit-making year, or the year ended 31st December, 2008, whichever is earlier and is granted a 50% relief for the following three years. PRC Enterprise Income Tax is calculated at 12.5% for this PRC subsidiary which is eligible for the 50% relief for both years. For the PRC subsidiary without preferential tax rates, the subsidiary is subject to PRC Enterprise Income Tax at 25%.

During the year, a subsidiary entered into a processing arrangement with a PRC processing factory. As 50% of the assessable profits were attributable to the manufacturing operation in the PRC, the subsidiary has filed Hong Kong Profits Tax on the 50:50 basis. Accordingly, 50% of its assessable profits were considered to be offshore in nature and non-taxable.

11. TAXATION *(Continued)*

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, distribution of the profits earned by the PRC subsidiaries since 1st January, 2008 shall be subject to PRC withholding tax. Deferred tax liability in respect of the withholding tax on the undistributed earnings of the Group's PRC subsidiary during the year has been provided at the applicable tax rate of 5%.

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

	2011	2010
	HK$'000	HK$'000
(Loss) profit before taxation	**(38,385)**	12,692
Tax at Hong Kong Profits Tax rate of 16.5%	**(6,334)**	2,094
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**602**	252
Tax effect of expenses not deductible for tax purpose	**3,528**	132
Tax effect of income not taxable for tax purpose	**(365)**	(49)
Overprovision in respect of prior years	**(852)**	(304)
Tax effect of tax losses not recognised	**894**	199
Tax effect of temporary differences not recognised	**726**	263
Tax effect of utilisation of temporary differences previously not recognised	**(184)**	–
Tax effect of utilisation of tax losses not recognised	**–**	(259)
Effect of tax relief granted to a subsidiary	**–**	(611)
Effect of concessionary rate and tax exemption granted to a PRC subsidiary	**(786)**	(406)
Withholding tax on undistributed earnings of a PRC subsidiary (note 24)	**253**	199
Others	**123**	499
Taxation for the year	**(2,395)**	2,009

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

The emoluments paid or payable to each of the five (2010: five) directors were as follows:

	Cheung Wah Keung	Wong Sau Lik, Weeky Peter	Goh Gen Cheung	Lai Ming, Joseph	Lam King Sun, Frankie	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011						
Fees	**–**	**–**	**250**	**250**	**250**	**750**
Other emoluments						
Salaries and other benefits	**1,950**	**1,625**	**–**	**–**	**–**	**3,575**
Retirement benefit scheme contributions	**12**	**12**	**–**	**–**	**–**	**24**
Share-based payment expense	**–**	**572**	**54**	**54**	**54**	**734**
	1,962	**2,209**	**304**	**304**	**304**	**5,083**
2010						
Fees	–	–	250	250	250	750
Other emoluments						
Salaries and other benefits	1,938	1,580	–	–	–	3,518
Retirement benefit scheme contributions	12	12	–	–	–	24
	1,950	1,592	250	250	250	4,292

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

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2010: two) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**3,230**	3,255
Retirement benefit scheme contributions	**24**	24
Share-based payment expense	**233**	–
	3,487	3,279

Their emoluments were within the following bands:

	2011	2010
	Number of employees	Number of employees
HK$500,001 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–

During both years, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

13. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividend recognised as distribution during the year:		
Interim dividend paid in respect of dividend declared for 2011 of nil (2010: HK1.2 cents in respect of dividend declared for 2010) per share	–	3,859
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	23,473

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2011 (2010: HK2.0 cents per share).

14. (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:

	2011 HK$'000	2010 HK$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share		
(Loss) profit for the year	(35,990)	10,683

	'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 year does not assume the exercise of the Company's share options because it will reduce the amount of loss per share. For the year ended 31st December, 2010, the computation of diluted earnings per share did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares for 2010.

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, 2010	126,016	1,287	29,839	21,259	3,891	182,292
Additions	6,448	1,198	4,793	1,086	–	13,525
Disposals	(4,607)	–	(721)	(3,630)	(310)	(9,268)
Exchange adjustments	136	14	166	115	–	431
At 31st December, 2010	127,993	2,499	34,077	18,830	3,581	186,980
Additions	19,322	388	5,240	10,038	–	34,988
Disposals	(702)	–	(271)	(107)	(95)	(1,175)
Exchange adjustments	584	92	424	200	7	1,307
At 31st December, 2011	147,197	2,979	39,470	28,961	3,493	222,100
DEPRECIATION						
At 1st January, 2010	75,582	781	21,732	14,799	2,754	115,648
Provided for the year	11,469	224	3,565	2,301	175	17,734
Eliminated on disposals	(4,186)	–	(685)	(2,034)	(310)	(7,215)
Exchange adjustments	33	6	71	58	–	168
At 31st December, 2010	82,898	1,011	24,683	15,124	2,619	126,335
Provided for the year	11,785	391	3,924	2,534	198	18,832
Eliminated on disposals	(679)	–	(271)	(107)	(89)	(1,146)
Exchange adjustments	119	14	133	6	1	273
At 31st December, 2011	94,123	1,416	28,469	17,557	2,729	144,294
CARRYING VALUES						
At 31st December, 2011	53,074	1,563	11,001	11,404	764	77,806
At 31st December, 2010	45,095	1,488	9,394	3,706	962	60,645

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%

16. INTANGIBLE ASSETS

	Intellectual property HK$'000 (Note 1)	Club membership HK$'000 (Note 2)	Total HK$'000
COST			
As at 1st January, 2010	5,393	978	6,371
Disposal	(5,393)	–	(5,393)
As at 31st December, 2010 and 31st December, 2011	–	978	978
AMORTISATION AND IMPAIRMENT			
As at 1st January, 2010	5,393	–	5,393
Disposal	(5,393)	–	(5,393)
As at 31st December, 2010 and 31st December, 2011	–	–	–
CARRYING VALUES			
At 31st December, 2011	–	978	978
At 31st December, 2010	–	978	978

Notes:

1. During the year ended 31st December, 2010, the intellectual property was disposed to certain non-controlling shareholders at nil consideration.

2. The club membership represents entrance fees paid to golf club 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, 2011, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount, which was determined based on fair value less cost to sell in the market. The management of the Group determined that no impairment loss was charged for the current year.

17. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	71,789	62,659
Work in progress	21,022	25,915
Finished goods	42,017	27,466
	134,828	116,040

18. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade debtors	371,647	256,779
Other debtors, deposits and prepayments	29,077	10,260
	400,724	267,039

Included in Group's debtors are trade debtors with carrying amounts of HK$347,510,000 (2010: HK$247,269,000) which denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

The Group normally allows a credit period of 30 days to 105 days (2010: 30 days to 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:

	2011 HK$'000	2010 HK$'000
0 to 30 days	136,704	79,334
31 to 60 days	108,562	83,337
61 to 90 days	87,742	65,537
91 to 120 days	29,320	26,838
Over 120 days	9,319	1,733
	371,647	256,779

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

Included in the Group's trade debtor balances are debtors with aggregate carrying amount of HK$40,348,000 (2010: HK$25,043,000) which are past due at the end of reporting period. The Group considers the amounts are recoverable, therefore, no impairment loss is considered necessary. The Group does not hold any collateral over these balances. Trade debtors which are neither past due nor impaired are considered recoverable as the balances related to a number of independent customers that have a good track record with the Group.

Ageing of trade debtors (by due date) which are past due but not impaired

	2011 HK$'000	2010 HK$'000
Less than 30 days	31,274	20,935
31 days to 90 days	6,021	3,921
91 days to 365 days	3,053	187
Total	40,348	25,043

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, as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the impairment losses on trade debtors:

	2011 HK$'000	2010 HK$'000
At 1st January	–	95
Uncollectible amounts written off	–	(95)
At 31st December	–	–

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

During the year ended 31st December, 2011, an impairment loss of HK$314,000 on other debtors was reversed in profit or loss (2010: impairment loss of HK$389,000 was made).

19. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at prevailing market interest rates ranging from 0.1% to 1.5% (2010: 0.1% to 1.4%) per annum.

Included in the Group's bank balances are bank balances with carrying amounts of HK$15,522,000 (2010: HK$15,234,000) and HK$3,134,000 (2010: HK$2,842,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

20. 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 the respective reporting periods:

	2011 HK$'000	2010 HK$'000
0 to 30 days	96,769	72,998
31 to 60 days	70,450	52,439
61 to 90 days	66,110	32,085
91 to 120 days	62,934	28,026
Over 120 days	28,508	3,181
	324,771	188,729
Accrued charges	59,956	45,778
	384,727	234,507

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

Included in the Group's creditors are trade creditors with carrying amounts of HK$150,543,000 (2010: HK$65,030,000) and HK$28,237,000 (2010: HK$16,245,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

As at 31st December, 2011, payable for acquisition of property, plant and equipment amounted to HK$1,668,000 (2010: nil) was included in accrued charges.

21. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Unsecured bank borrowings, repayable within one year	**30,000**	21,000

Bank borrowings comprise:

	Effective interest rate (per annum)		Carrying amount	
	2011	2010	**2011 HK$'000**	2010 HK$'000
Floating-rate Hong Kong dollars denominated bank loans:				
At HIBOR + 0.7%	**–**	0.83%	**–**	9,000
At HIBOR + 0.8%	**1.16%**	0.89%	**10,000**	5,000
At HIBOR + 0.85%	**–**	0.98%	**–**	7,000
At HIBOR + 1.2%	**1.58%**	–	**10,000**	–
At HIBOR + 1.5%	**1.88%**	–	**10,000**	–
			30,000	21,000

As at the end of reporting period, the Group has undrawn borrowing facilities of HK$20,000,000 (2010: HK$74,000,000).

22. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1st January, 2010, 31st December, 2010 and 31st December, 2011	500,000,000	5,000
Issued and fully paid:		
At 1st January, 2010, 31st December, 2010 and 31st December, 2011	321,545,564	3,215

23. SHARE OPTION SCHEME

Equity-settled 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. 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.

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

23. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

Eligible Participants *(Continued)*

(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 32,154,556 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.

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.

23. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

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.

23. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

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.

Details of the movement of the outstanding share options under the Share Option Scheme during the year ended 31st December, 2011 are as follows:

					Number of share options					
Category of participants	Date of grant	Exercise price	Vesting date	Exercisable period	As at 01/01/2011	Granted	Exercised	Cancelled	Lapsed	As at 31/12/2011
		HK$								
Directors	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	1,353,000	–	–	–	–	1,353,000
			15/01/2013	15/01/2013 – 27/12/2020	1,353,000	–	–	–	–	1,353,000
			15/01/2014	15/01/2014 – 27/12/2020	1,394,000	–	–	–	–	1,394,000
					4,100,000	–	–	–	–	4,100,000
Employees	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
					2,780,000	–	–	–	(400,000)	2,380,000
					6,880,000	–	–	–	(400,000)	6,480,000

23. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

During the year ended 31st December, 2010, 6,880,000 share options were granted to the eligible participants under the Share Option Scheme and the details are as follows:

Category of participants	Date of grant	Exercise price	Vesting date	Exercisable period	Number of share options granted during the year and outstanding as at 31st December, 2010
		HK$			
Directors	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	1,353,000
			15/01/2013	15/01/2013 – 27/12/2020	1,353,000
			15/01/2014	15/01/2014 – 27/12/2020	1,394,000
Employees	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	917,400
			15/01/2013	15/01/2013 – 27/12/2020	917,400
			15/01/2014	15/01/2014 – 27/12/2020	945,200
					6,880,000

The fair value of the share options granted during the year ended 31st December, 2010 was calculated using Binominal Option Pricing Model. The inputs into the model were as follows:

Fair value at measurement date	HK$0.29
Share price on grant date	HK$0.92
Exercise price	HK$0.93
Expected volatility	43.7%
Option life	10 years
Risk-free interest rate	2.829%
Expected dividend yield	5.98%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years.

The share-based payment expense of HK$1,159,000 (2010: nil) was recognised in profit or loss.

24. DEFERRED TAXATION

The followings are the major deferred tax liabilities recognised and movements thereon during the current and the prior years:

	Accelerated tax depreciation	Undistributed profits of a subsidiary	Total
	HK$'000	HK$'000	HK$'000
At 1st January, 2010	3,247	127	3,374
(Credit) charge to profit or loss	(400)	199	(201)
At 31st December, 2010	2,847	326	3,173
(Credit) charge to profit or loss	(2,847)	253	(2,594)
At 31st December, 2011	–	579	579

As at 31st December, 2011, the Group had deductible temporary differences and unutilised tax losses carried forward to offset future taxable profits of HK$5,267,000 (2010: HK$1,979,000) and HK$13,018,000 (2010: HK$18,300,000) respectively. Included in the unutilised tax losses are losses of HK$2,277,000 that will expire in the year 2015. The remaining tax losses may be carried forward indefinitely. No deferred tax asset has been recognised in relation to these deductible temporary differences and tax losses as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Group has no significant unrecognised temporary differences on undistributed profits of its subsidiaries at the end of the reporting period.

25. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	7,979	8,108
In the second to fifth years inclusive	–	303
	7,979	8,411

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.

26. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	290	7,482

27. EMPLOYEE RETIREMENT BENEFITS

Prior to 1st December, 2000, the Group operated a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance ("ORSO Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there were employees who left the ORSO Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1st December, 2000, the Group joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The obligation of the Group with respect to MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in future years.

Employees who were members of the ORSO Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

Employees of the subsidiaries in the PRC are members of pension schemes operated by PRC local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

The total cost charged to consolidated income statement of HK$4,100,000 (2010: HK$3,345,000) represents contributions paid/payable to these schemes by the Group. At the end of the reporting period, there was no forfeited contribution available to reduce future contributions in both years.

28. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	13,010	12,677
Retirement benefit schemes contributions	155	173
Share-based payment expense	858	–
	14,023	12,850

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.

29. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2011 HK$'000	2010 HK$'000
Investment in a subsidiary	998	–
Amounts due from subsidiaries	221,388	209,714
Dividend receivable	–	20,000
Bank balances and cash	226	204
Other current assets	216	224
Other current liabilities	(562)	(697)
	222,266	229,445
Share capital	3,215	3,215
Reserves (Note)	219,051	226,230
	222,266	229,445

29. SUMMARY FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

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

	Share premium HK$'000	Special reserve HK$'000 (Note (i))	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY					
At 1st January, 2010	89,714	107,647	–	33,547	230,908
Profit for the year	–	–	–	18,795	18,795
Final dividend paid in respect of 2009	–	–	–	(13,826)	(13,826)
Special dividend paid in respect of 2009	–	–	–	(5,788)	(5,788)
Interim dividend paid in respect of 2010	–	–	–	(3,859)	(3,859)
At 31st December, 2010	89,714	107,647	–	28,869	226,230
Loss for the year	–	–	–	(1,907)	(1,907)
Recognition of equity-settled share-based payment	–	–	1,159	–	1,159
Final dividend paid in respect of 2010	–	–	–	(6,431)	(6,431)
At 31st December, 2011	89,714	107,647	1,159	20,531	219,051

Note (i):

Special reserve represents the difference between the consolidated net asset value of Shinhint Industries Limited at the date which the group reorganisation became effective and the aggregate nominal value of the shares issued by the Company pursuant to the group reorganisation in 2005.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31st December, 2011 and 2010 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) 2011	2010	Principal activities
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
Dongguan Tai Sing Audio Technology Limited	Wholly foreign-owned enterprise	PRC	US$5,898,400	100%	N/A	Manufacturing of moulds, headphones and speakers related components

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, 2011 and 2010.

Financial Summary

	Year ended 31st December,				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	1,364,536	1,359,491	1,031,122	1,056,154	**1,150,524**
Profit (loss) for the year	57,901	28,351	24,108	10,683	**(35,990)**
Attributable to:					
Owners of the Company	57,901	31,391	26,314	10,683	**(35,990)**
Non-controlling interests	–	(3,040)	(2,206)	–	**–**
	57,901	28,351	24,108	10,683	**(35,990)**

	At 31st December,				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	750,697	693,527	588,268	590,054	**704,923**
Total liabilities	(427,763)	(357,051)	(245,928)	(259,551)	**(415,988)**
Shareholders' funds	322,934	336,476	342,340	330,503	**288,935**
Equity attributable to owners of the Company	322,934	334,270	342,340	330,503	**288,935**
Non-controlling interests	–	2,206	–	–	**–**
	322,934	336,476	342,340	330,503	**288,935**