



成謙聲匯控股有限公司
Shinhint Acoustic Link Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2728)

Interim Report 2012



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Corporate Information

Board of Directors

Executive Directors

Mr. Cheung Wah Keung
(Chairman of the Board)

Mr. Wong Sau Lik, Weekly Peter

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

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, Weekly Peter

Company Secretary

Mr. Lau Wai Piu, Patrick

Auditor

Deloitte Touche Tohmatsu

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office

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

Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman)
Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
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

Management Discussion and Analysis

Business Review

With no solution in sight for the European debt crisis, the global economy was full of pessimism and there were no signs of recovery for the consumer electronic sector. Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (the "Group") were operating under adverse business environment during the period under review. Some legacy major customers of the group were experiencing difficulties and have inevitably affected the Group's performance. As a matter of fact, one of them has halted majority of the operations in May 2012 which resulted in the need for the Group to book a significant impairment loss for the period. For the six months ended 30th June, 2012, the Group reported a turnover of HK\$478,565,000, which represented an increase of 15% over the corresponding period of last year (2011 Interim: HK\$414,550,000). Such increase was mainly attributable to new customers that the Group has acquired during the period. These new revenue sources partially offset the negative impacts from the Group's legacy customers.

The gross profit of the Group increased by 25% to HK\$24,279,000 for the period under review (2011 Interim: HK\$19,474,000). The increase in gross profit was mainly attributable to the increase of sales and a slight increase in gross margin. While the surging of overall material and operating cost in the People Republic of China ("PRC") slowed down, they still stayed high and aggravated the situation of the manufacturing industry already operating under the unfavorable global economic environment. During the reporting period, the Group has successfully reduced the administrative cost as an initial achievement of a longer term cost saving plan. While the Group was recording gradual improvements in most operational areas, unfortunately, a long standing USA customer of the Group suddenly ceased operation without any prior signs and indications and caused the need for the Group to make an impairment loss of HK\$26,133,000, which represented the total account receivables amount with that customer. With this adverse impact, the Group reported a loss for the period of HK\$59,761,000 (2011 Interim: loss for the period of HK\$36,871,000).

During the reporting period, in the midst of the very unfavorable economic environment, the Group has recorded turnover increase in all product segments. Communication peripherals, Portable audio, Desktop audio, Speaker drivers and Others saw increase of sales by 42%, 3%, 15%, 8% and 54% respectively. With the major legacy customers continued to face their own challenges and, as a result, drop their purchases from us, the sales increases were attributable to the new customers that the Group has acquired in the past years through proactive marketing and strengthened Research and Development ("R&D") capabilities. Nevertheless, due to the initial cost required for establishing the business relationships with these new customers, the sales to them were not contributing more desirable profit margins during the period under review.

Management Discussion and Analysis (Continued)

Business Review (Continued)

Among the five product segments, Communication peripherals and Others were seeing the most substantial turnover increase during the reporting period. Sales of Communication peripherals reached HK\$75,557,000, representing a period-on-period growth of 42% (2011 Interim: HK\$53,181,000). The growth was mainly attributable to the Group's R&D capability in supporting the convergence of communication and audio applications into single devices. The increase of turnover of Others to HK\$51,879,000, representing a period-on-period growth of 54% (2011 Interim: HK\$33,644,000), was mainly attributable to the successful launch of two digital recording products for a reputable Japanese customer. It represented a good expansion of product scope and geographical reach for the Group.

Financial Review

Liquidity and Financial Resources

As at 30th June, 2012, the Group's net current assets were HK\$155,388,000 (31st December, 2011: HK\$209,102,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.5, same as at last year end.

As at 30th June, 2012, the Group maintained a healthy cash level with net cash and cash equivalents (net of bank borrowings) of HK\$44,248,000 (31st December, 2011: HK\$57,099,000). The Group had bank borrowings of HK\$50,000,000 (31st December, 2011: HK\$30,000,000).

The gearing ratio of the Group increased to 21.9% from 10.4% as at 31st December, 2011. The ratio is computed by dividing total borrowings of HK\$50,000,000 (31st December 2011: HK\$30,000,000) by shareholders' equity of HK\$228,721,000 (31st December 2011: HK\$288,935,000).

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

Treasury Policies

The Group does not engage in any leveraged or derivative products. Consistent with this prudent approach to financial risk management, the Group has continued to work towards maintaining a comfortable gearing position. Since the Group's sales and raw material purchases are conducted in United States dollars and Hong Kong dollars, the Group believes that it will have sufficient foreign exchange reserves to match necessary requirements. Part of the manufacturing overhead is denominated in Renminbi, to mitigate the impact of exchange rate fluctuations, the Group will closely assess and monitor the movement of the Renminbi exchange rate. The Group will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Contingent Liabilities

As at 30th June, 2012, the Group had no material contingent liabilities.

Human Resources

As at 30th June, 2012, the Group employed a total of approximately 4,400 employees (30th June, 2011: 4,900) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$92,610,000 (2011 interim: HK\$81,731,000). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration package and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Prospects

After the last two years of financial turbulence induced by the European debt crisis, it is generally believed that the recovery of the global economy is going to be a prolonged process. With this backdrop, the Group will focus on three strategic directions. The first is to expand market shares by increasing business with the enlarged customer base and acquiring new substantial customers for the Group. Secondly, we will strive to improve the profit margins with the initial customer acquisition period completed and the launching of new products in the second half of the financial year. The third direction is to exercise even tighter cost control measures for providing better flexibility to the Group's operations. With almost all competitors facing the same operational challenges, the management team is determined to stay competitive and to do our utmost for the greatest benefits of our shareholders and employees.

Interim Dividend

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30th June, 2012. (No dividend for 2011 interim).

By order of the Board
Cheung Wah Keung
Chairman

Hong Kong, 28th August, 2012

Corporate Governance and Other Information

Compliance with the Code on Corporate Governance Practices

The Company has, throughout the six months ended 30th June, 2012, applied and complied with the principles in the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors"). On specific enquiry made, all the Directors of the Company have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2012.

Audit Committee

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

The interim results of the Group for the six months ended 30th June, 2012 have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2012.

Purchase, Sale or Redemption of Shares

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

Corporate Governance and Other Information (Continued)

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

As at 30th June, 2012, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity	Number of shares ⁽¹⁾	Number of underlying shares ^{(1), (2)}	Total number of shares	Approximate percentage of the issued shares
Cheung Wah Keung	Interest of a controlled corporation ⁽³⁾	152,655,473	—	152,655,473	47.48%
	Beneficial owner	9,596,000	—	9,596,000	2.98%
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%

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions.
- (2) The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the share option scheme of the Company are detailed in the section headed "Share Option Scheme" below.
- (3) 152,655,473 shares were held by Pro Partner Developments Limited ("Pro Partner"), a company wholly owned by Mr. Cheung Wah Keung.

Save as disclosed above, as at 30th June, 2012, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information (Continued)

Share Option Scheme

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

No share options were granted and no share options granted under the Share Option Scheme were cancelled during the six months ended 30th June, 2012. Details of the movement of the outstanding share options under the Share Option Scheme during the six months ended 30th June, 2012 are as follows:

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

Corporate Governance and Other Information (Continued)

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 01/01/2012	Granted	Exercised	Lapsed	As at 30/06/2012
Director (Continued)									
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	785,400	—	—	—	785,400
			15/01/2013	15/01/2013– 27/12/2020	785,400	—	—	—	785,400
			15/01/2014	15/01/2014– 27/12/2020	809,200	—	—	—	809,200
Sub-total					2,380,000	—	—	—	2,380,000
Total					6,480,000	—	—	—	6,480,000

Note:

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

Corporate Governance and Other Information (Continued)

Substantial Shareholders' Interests

As at 30th June, 2012, 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	162,251,473	50.46%
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 9,596,000 shares held beneficially, Mr. Cheung Wah Keung is deemed to be interested in 162,251,473 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.

Corporate Governance and Other Information (Continued)

Substantial Shareholders' Interests *(Continued)*

Save as disclosed above, as at 30th June, 2012, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the shares, underlying shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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

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

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Shinhint Acoustic Link Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 27, which comprise the condensed consolidated statement of financial position as of 30th June, 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Report on Review of Condensed Consolidated Financial Statements (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28th August, 2012

Condensed Consolidated Income Statement

For the six months ended 30th June, 2012

		Six months ended 30th June,	
		2012	2011
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	3	478,565	414,550
Cost of sales		(454,286)	(395,076)
Gross profit		24,279	19,474
Other income		423	733
Selling and distribution costs		(8,483)	(6,005)
Administrative expenses		(37,266)	(39,335)
Research and development expenses		(11,996)	(12,428)
Impairment loss recognised on trade debtors	9	(26,133)	—
Other gains and losses		172	389
Finance costs		(356)	(4)
Loss before taxation	4	(59,360)	(37,176)
Taxation	5	(401)	305
Loss for the period		(59,761)	(36,871)
		HK cents	HK cents
Loss per share	7		
— Basic		(18.59)	(11.47)
— Diluted		(18.59)	(11.47)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2012

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(59,761)	(36,871)
Other comprehensive (expenses) income		
Exchange differences arising on translation of foreign operations	(565)	558
Other comprehensive (expenses) income for the period	(565)	558
Total comprehensive expenses for the period	(60,326)	(36,313)

Condensed Consolidated Statement of Financial Position

At 30th June, 2012

	Notes	30th June, 2012 HK\$'000 (Unaudited)	31st December, 2011 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment	8	71,984	77,806
Intangible assets		978	978
Rental deposits		1,026	991
Deposits for acquisition of property, plant and equipment		—	637
		73,988	80,412
Current Assets			
Inventories		116,717	134,828
Trade debtors, deposits and prepayments	9	275,304	400,724
Tax recoverable		1,999	1,860
Bank balances and cash		94,248	87,099
		488,268	624,511
Current Liabilities			
Trade creditors and accrued charges	10	282,836	384,727
Tax liabilities		44	682
Bank borrowings — due within one year	11	50,000	30,000
		332,880	415,409
Net Current Assets		155,388	209,102
Total Assets less Current Liabilities		229,376	289,514
Capital and Reserves			
Share capital	12	3,215	3,215
Reserves		225,506	285,720
Total Equity		228,721	288,935
Non-current Liabilities			
Deferred tax liabilities		655	579
		229,376	289,514

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2012

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1st January, 2011 (audited)	3,215	89,714	4,950	614	2,605	—	229,405	330,503
Loss for the period	—	—	—	—	—	—	(36,871)	(36,871)
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operations	—	—	—	—	558	—	—	558
Total comprehensive income (expenses) for the period	—	—	—	—	558	—	(36,871)	(36,313)
Recognition of equity-settled share-based payment	—	—	—	—	—	581	—	581
Final dividend paid in respect of 2010 (note 6)	—	—	—	—	—	—	(6,431)	(6,431)
At 30th June, 2011 (unaudited)	3,215	89,714	4,950	614	3,163	581	186,103	288,340
At 1st January, 2012 (audited)	3,215	89,714	4,950	1,080	2,299	1,159	186,518	288,935
Loss for the period	—	—	—	—	—	—	(59,761)	(59,761)
Other comprehensive expenses for the period:								
Exchange differences arising on translation of foreign operations	—	—	—	—	(565)	—	—	(565)
Total comprehensive expenses for the period	—	—	—	—	(565)	—	(59,761)	(60,326)
Recognition of equity-settled share-based payment	—	—	—	—	—	112	—	112
At 30th June, 2012 (unaudited)	3,215	89,714	4,950	1,080	1,734	1,271	126,757	228,721

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2012

	Six months ended	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (use in) generated from operating activities	(6,482)	6,289
Investing activities		
Purchase of property, plant and equipment	(6,000)	(13,583)
Interest received	362	546
Proceeds on disposal of property, plant and equipment	1	2
Deposits paid for acquisition of property, plant and equipment	—	(2,924)
Net cash used in investing activities	(5,637)	(15,959)
Financing activities		
New bank borrowings raised	60,000	20,000
Repayment of bank borrowings	(40,000)	(21,000)
Interest paid	(356)	(4)
Dividend paid	—	(6,431)
Net cash from (used in) financing activities	19,644	(7,435)
Net increase (decrease) in cash and cash equivalents	7,525	(17,105)
Effect of foreign exchange rate changes	(376)	1,003
Cash and cash equivalents at beginning of the period	87,099	135,560
Cash and cash equivalents at end of the period, represented by bank balances and cash	94,248	119,458

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2012

1. Basis of Preparation

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

2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRS 7	Financial Instruments: Disclosure — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

3. Revenue and Segment Information

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

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 sold. Thus, the Group is currently organised into four reportable and operating segments which are sales of communication peripheral, portable audio, desktop audio and speaker drivers. The four reportable and operating segments are as follows:

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

In addition, others include sales of miscellaneous parts and accessories.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

3. Revenue and Segmental Information (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment:

Six months ended 30th June, 2012

	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	75,557	132,473	56,847	161,809	51,879	478,565
RESULT						
Segment result	(10,574)	(25,831)	(12,349)	(596)	(9,060)	(58,410)
Unallocated income						423
Unallocated expenses						(1,017)
Finance costs						(356)
Loss before taxation						(59,360)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

3. Revenue and Segmental Information (Continued)

Six months ended 30th June, 2011

	Communication peripheral HK\$'000	Portable audio HK\$'000	Desktop audio HK\$'000	Speaker drivers HK\$'000	Others HK\$'000	Total HK\$'000
REVENUE						
External sales	53,181	128,133	49,360	150,232	33,644	414,550
RESULT						
Segment result	(542)	(15,437)	(6,933)	(7,596)	(5,963)	(36,471)
Unallocated income						733
Unallocated expenses						(1,434)
Finance costs						(4)
Loss before taxation						(37,176)

Segment result represents the loss 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

4. Loss before Taxation

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Depreciation	10,607	8,761
(Gain) loss on disposal of property, plant and equipment (included in other gains and losses)	(1)	15
Write down of inventories (included in cost of sales)	3,474	5,552
Share-based payment expense	112	581
Interest income	(362)	(546)

5. Taxation

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Current tax for the period		
Hong Kong Profits Tax	—	244
People's Republic of China (the "PRC") Enterprise Income Tax	325	71
	325	315
Deferred tax for the period	76	(620)
Taxation charge (credit)	401	(305)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made for current period as there is no assessable profit arising in Hong Kong.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

5. Taxation (Continued)

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 the six months ended 30th June, 2012 but no provision for PRC Enterprise Income Tax was made for the six months ended 30th June, 2011 as this PRC subsidiary had no assessable profits arising in the PRC. For the PRC subsidiaries without preferential tax rates, the subsidiaries are subject to PRC Enterprise Income Tax at 25%.

In the prior 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 Profit Tax on the 50:50 basis. Accordingly, 50% of its assessable profits were considered to be offshore in nature and non-taxable.

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 to the Group's PRC subsidiary during the period has been provided at the applicable tax rate of 5%.

6. Dividends

During the six months ended 30th June, 2011, the Group recognised a final dividend of HK\$2.0 cents per share, totalling HK\$6,431,000 in respect of the year ended 31st December, 2010.

The directors do not recommend the payment of an interim dividend for the current period.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

7. Loss Per Share

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

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period	(59,761)	(36,871)
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	321,545	321,545

The computation of diluted loss per share for the both periods does not assume the exercise of the Company's share options because it will reduce the amount of loss per share.

8. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment amounting to HK\$4,969,000 (for the six months ended 30th June, 2011: HK\$20,247,000).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

9. Trade Debtors, Deposits and Prepayments

The Group normally allows a credit period of 30 to 105 days to its trade customers, and it may be further extended to selected customers depending on their trade volumes and settlement history with the Group.

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

	30th June, 2012 HK\$'000	31st December, 2011 HK\$'000
0 to 30 days	73,945	136,704
31 to 60 days	72,542	108,562
61 to 90 days	64,870	87,742
91 to 120 days	30,308	29,320
Over 120 days	6,001	9,319
	247,666	371,647
Prepaid value-added-tax	15,256	21,728
Other debtors, deposits and prepayments	12,382	7,349
	275,304	400,724

During the current period, the Group has recognised full impairment loss on a trade debtor balance of approximately HK\$26 million (for the six months ended 30th June, 2011: nil) due to credit deterioration of that specific customer.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

10. Trade Creditors and Accrued Charges

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

	30th June, 2012 HK\$'000	31st December, 2011 HK\$'000
0 to 30 days	63,720	96,769
31 to 60 days	53,447	70,450
61 to 90 days	60,195	66,110
91 to 120 days	35,977	62,934
Over 120 days	8,074	28,508
	221,413	324,771
Accrued charges	61,423	59,956
	282,836	384,727

The average credit period on purchase of goods is 90 days

As at 31st December 2011, there was a payable for acquisition of property, plant and equipment amounted to HK\$1,668,000 which was fully repaid during the current period.

11. Bank Borrowings

	30th June, 2012 HK\$'000	31st December, 2011 HK\$'000
Unsecured bank borrowings, repayable within one year	50,000	30,000

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2012

12. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31st December, 2011 and 30th June, 2012	500,000,000	5,000
Issued and fully paid:		
At 31st December, 2011 and 30th June, 2012	321,545,564	3,215

13. Capital Commitments

At 30th June, 2012, the Group had commitments for capital expenditure of approximately HK\$75,000 (31st December, 2011: HK\$290,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

14. Related Party Transactions

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

Name of related parties	Nature of transactions	Six months ended 30th June,	
		2012 HK\$'000	2011 HK\$'000
Directors and key management	Salaries and other benefits	5,878	6,175
	Retirement benefit schemes contributions	78	86
	Share-based payment expense	137	429
		6,093	6,690