成 謙 聲 匯 控 股 有 限 公 司
Shinhint Acoustic Link Holdings Limited
(Stock Code : 2728)

Annual Report 2012

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 (resigned on 18 July 2012)
Mr. Lau Wai Piu, Patrick (appointed on 18 July 2012 and resigned on 18 March 2013)
Mr. Chan Siu Kay (appointed on 18 March 2013)

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, PO BOX 1586
Grand Cayman KY1-1110
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

The Group shall strive to capitalize from its expanded customer base and the research and development capabilities acquired in the last two years.

Cheung Wah Keung
Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board") of Shinhint Acoustic Link Holdings Limited (the "Company"), I am pleased to present to you the audited annual results for the year ended 31st December, 2012 of the Company and its subsidiaries (the "Group").

The global economy continued to be very uncertain in 2012 and most of the customers of the Group reported disappointing results. As reported in the interim result, the Group has booked a substantial impairment loss on trade debtors caused by the sudden discontinuation of business of a long standing customer. Facing the challenging macro-economic environment, the Group discontinued several low margin models and has successfully replaced them by new products of better margin. At the same time, stringent cost reduction measures were duly executed. These comprehensive strategic actions showed effectiveness and have helped generate a net profit of HK$26,363,000 for the second half of the year being reported. While the full year result was still reporting a loss of HK$33,398,000, which was mostly a result of the impairment loss, the Group was able to maintain a similar revenue level and has decently improved the gross profit margin comparing with 2011. Operating cost in the People's Republic of China (PRC) continued to rise in the reporting year. Although the Guangdong provincial government has not increased the mandatory minimum wage in 2012, labor cost continued to rise due to the labor supply shortage in the area. Other factors such as appreciation of Renminbi (RMB) and increase of Consumer Price Index (CPI) kept on raising the operating cost for the Group.

Chairman's Statement

The consumer electronic market has not shown sign of recovery with audio headphones being the only exception. The expanding market size of audio headphones was predominantly caused by the increasing retail price point with them being marketed heavily and successfully as a fashion and lifestyle. While the smartphone and the tablet computer markets kept growing, market research showed that the sales of most of their related acoustic peripherals were staying flat. One of the pushback factors was Apple Inc's announcement of introducing the new Lightning connector on its iPhone 5 for replacing the old 30-pin connector. This long anticipated change has caused uncertainties and companies had to hold back old products' ordering for avoiding inventory obsolesces as well as new product introduction as specifications were not known. However, with Bluetooth wireless transmission being equipped in most portable audio players, including smartphones and tablet computers, for assurance of compatible connectivity, product developers were widely adopting Bluetooth for speakers and headphones. Thanks to the past Research and Development (R&D) investment we have made in the wireless technologies, the Group has recorded noticeable sales growth on wireless products in the reporting year. We will observe the wireless trend and could consider revising our product segmentation in the coming financial year for better analysis purpose. During the reporting year, the sales of speaker driver saw a slight drop. It was mainly caused by the lowered and stabilized cost of neodymium magnet, which is an extract of rare earth, and the demand drop from the TV industry, which was one of the most competitive categories in consumer electronics. Production volume for the automotive industry stayed stable.

In the marketing end, the sustained debt crisis in Europe continued to hinder the global economy. And in the manufacturing side, continuous labor cost increase and Renminbi appreciation are going to further impact the operating cost. The Group shall continue to develop higher margin products with more focus being put on high quality audio headphones and wireless technologies. At the same time, we won't loosen our cost control initiatives in all operating areas. Relentless efforts will be put on further expansion of customer base and growing sales with existing ones.

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

22nd March, 2013

Management Discussion and Analysis

Market Review

The year of 2012 stayed very challenging for the export oriented manufacturing companies based in the PRC. The major export markets continued ebbing while the operating cost continued to rise. The sluggish consumer spending in the major markets of the Group was well reflected by the disappointing performance of our customers during the reporting period. As a matter of fact, the cessation of business of Altec Lansing, the long-standing customer who caused the substantial impairment loss for the Group reported in the interim result, was a consequence of the challenging market conditions. On the operation side, in the PRC, operating cost continued to rise with the appreciating Renminbi and increasing Consumer Price Index (CPI). Guangdong province's suspending mandatory minimum labor wage in 2012 was alleviating the expanding pressure. But labor cost was still lifted during the reporting year with the labor shortage across the province. Although the smart phone and tablet computer markets continued to see growth, the overall demand for their acoustic peripherals was sluggish.

On the product and technology front, while the most parts of the audio consumer electronic market were not seeing growing demands, there were still obvious bright spots. In the reporting year, audio headphones and Bluetooth wireless technology have recorded significant growth. The composition of the Group's revenue was also reflecting these trends. Due to the growing significance of these markets and the convergence of product segments and technologies, we shall consider re-segmenting our revenue in the financial year of 2013.

Business Review

The speaker drivers business saw a slight decline in the reporting year. For the year ended 31st December, 2012, its turnover was HK$398,451,000 (2011: HK$443,864,000), a year-on-year drop of 10.2%. The volume shipped to the automotive industry was stable while the TV market continued to see drop because of the severe competition among TV makers. The lowered cost of neodymium magnet, a major component extracted from rare earth for speakers, contributed to the declined sales as well.

The turnover of the Communication Peripheral segment was picking up momentum again and its sales reached HK$178,194,000 (2011: HK$153,368,000), representing a year-on-year increase of 16.2%. The upward trend was mainly due to the successful launch of some PC communication headsets, with internet telephony more widely adopted by the consumers.

For Portable Audio, turnover saw a decrease of 20.2%, reaching HK$306,240,000 (2011: HK$383,723,000). The declined turnover was for reason of twofold. The speculation and uncertainty of Apple's release of a new connector for its iPhone 5 was causing hesitation for companies to introduce new audio systems with docking feature. Customers were also conservative on inventory level for avoidance of obsolescence. On the other hand, because of the convergence of product applications, segmentation of new products became less distinguished. Some of the new products that could be segmented as Portable Audio ended up put under Desktop Audio based on our current definition. For the purpose of providing better base for analysis, the Group shall consider redefining the product segments in the financial year 2013. While the overall market was not encouraging, audio headphones and Bluetooth wireless audio streaming were two bright spots that we were seeing significant growth potential. We shall continue our efforts on these two areas for boosting the sales of the Portable Audio segment.

Management Discussion and Analysis

Business Review *(Continued)*

The sales of Desktop Audio grew to HK$136,902,000 (2011: HK$95,889,000), representing a growth of 42.8%. As discussed in the previous paragraph, the main reason of the growth was due to the convergence of product applications that led to a certain ambiguity in product segmentation. If we merely looked at the desktop application for personal computer, the sales was actually not recording a growing trend. The additional sales were mainly from products that featured with Bluetooth wireless connectivity that support both personal computer and portable audio devices such as smartphones and tablet computers.

The turnover of product segment of "Others" recorded a growth of 24.3%, reaching HK$91,599,000 (2011: HK$73,680,000). The substantial growth continued to be attributable to the combined sales of plastic injection parts, components and a high end digital recorder manufactured for the new Japanese customer.

The Group continued to mitigate the risk of customer concentration. During the year under review, the largest customer of the Group was 29% of the Group's turnover (2011: 33%). The top five customers were 75% (2011: 74%) of the total revenue. We will continue to expand our customer base and to increase the sales with the currently lower ranked customers with strong growth potential.

In terms of geographical coverage, the United States remained the Group's largest market, accounting for 24% of turnover for the year ended 31st December, 2012. The PRC, stayed at 21% of the turnover of the Group, while the Netherlands remained the third at 16%.

Operation Review

After a year of suspending the mandatory minimum wage increase in Guangdong province in 2012 for alleviating the pressure on companies, it has been announced that such increase will be in force again. In Dongguan City where the Group is operating our two factories, effective on 1 May 2013, there will be a mandatory minimum wage increase of about 19% and there will be inevitable impact on the operating cost for the Group. Coupled with the Renminbi appreciation and the increasing CPI, the operating environment in the PRC shall continue to be unfavorable to the manufacturing sector.

In financial year 2012, with the revenue maintained stable, we were able to reduce the combined of Administrative and Research and Development expenses by HK$14,947,000, representing 14.4% reduction from the previous year. It was a result of the improved efficiency and productivity of the Group. These efforts will certainly be continued in the financial year 2013.

Facing the challenge, the Group will try to pass on the cost increase to the market by raising selling price, to develop products of higher margin and to implement tighter cost control measures for improving our profitability.

Management Discussion and Analysis

Financial Review

Results Performance

For the year ended 31st December, 2012, the Group's turnover decreased by 3.4% from that of last year to HK$1,111,386,000 (2011: HK$1,150,524,000). The gross profit increased to 9.4% and the Group has reported a loss for the year of HK$33,398,000 (2011: loss of HK$35,990,000) which were mainly attributable to an impairment of trade debtors due to the adverse payment status of a customer.

For the year under review, basic loss per share reached approximately HK10.4 cents (2011: basic loss per share of HK11.2 cents). The Board did not recommend the payment of a final dividend for the year ended 31st December, 2012 (2011: nil).

Liquidity and Financial Resources

As at 31st December, 2012, the Group maintained a healthy cash level with net cash and cash equivalents of HK$72,421,000 (2011: HK$57,099,000) and unutilized banking facilities of HK$56,007,000 (2011: HK$20,000,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.5 same as last year ended.

The Group's gearing ratio decreased from 10.4% to 5.9% as at 31st December, 2012. The ratio was calculated by dividing total borrowings of HK$15,000,000 (2011: HK$30,000,000) by shareholders' equity of HK$255,574,000 (2011: HK$288,935,000).

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 US 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.

Contingent Liabilities

As at 31st December, 2012, the Group had no material contingent liabilities.

Pledge on the Group's Assets

As at 31st December, 2012, no assets had been pledged to secure the Group's banking facilities.

Management Discussion and Analysis

Prospects

Real recovery of the global economy is yet to be in sight, and most of the Group's customers were not performing well. After taking the hit from the substantial impairment loss in 2012, the Group's main focus will be on strengthening our financial position preparing for deployment of new growth strategies at the right timing. We will stay concentrating on our core businesses for going through this challenging period. Continuous efforts will be put on increasing business volume with our existing customers and further expanding our customer base. While the tight cost control measures being executed will not be loosen, strategic R&D investments, especially on wireless audio streaming and headphones, will continue be our emphasis. We believe that they are going to add significant values to the products for enhancing the Group's sales and profitability.

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

Employees

As at 31st December, 2012, the Group's work force totaled approximately 4,200 (2011: approximately 4,100) in Hong Kong and the People's Republic of China (the "PRC") collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$189,535,000 (2011: HK$188,924,000). 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 Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited was revised to, and renamed as, Corporate Governance code from 1st April, 2012 (collectively, the "Code"). The Company has complied with the code provisions of the Code throughout the year ended 31st December, 2012.

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 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, 2012.

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

Board of Directors *(Continued)*

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 19 to 21 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 3.10 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 meetings, Board committees' meetings and annual general meeting held and attended by each Director is as follows:

	Meetings Attended				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2012 Annual General Meeting**
Number of meetings held during the year	**5**	**2**	**1**	**1**	**1**
Executive Directors					
Mr. Cheung Wah Keung	5	N/A	1	1	1
Mr. Wong Sau Lik, Weeky Peter	5	N/A	N/A	N/A	1
Independent Non-Executive Directors					
Mr. Lai Ming, Joseph	5	2	1	1	1
Dr. Lam King Sun, Frankie	5	2	1	1	1
Mr. Goh Gen Cheung	5	2	1	1	1

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.

Directors' Training

According to the code provision A.6.5 of the New Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Directors were updated on the recent amendments to the Listing Rules relating to the New Code and relevant Listing Rules, which came into effect on 1st January 2012 or 1st April 2012, at the regular Board meeting. Effective from 1st April 2012, all Directors are required to provide the Company with his training records on an annually basis.

Directors' Training *(Continued)*

The individual training record of each director received for the year ended 31 December 2012 is summarized below:

	Attending seminar(s)/ programme(s)/ conference(s) relevant to the business or directors' duties
Mr. Cheung Wah Keung	✔
Mr. Wong Sau Lik, Weeky Peter	✔
Mr. Lai Ming, Joseph	✔
Dr. Lam King Sun, Frankie	✔
Mr. Goh Gen Cheung	✔

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 website of the Company and the Stock Exchange.

Board Committees *(Continued)*

Audit Committee *(Continued)*

The Audit Committee held two meetings in 2012 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 2012, the work performed by the Audit Committee included:

– reviewing the consolidated financial statements for the year ended 31st December, 2011 and the annual results announcement;

– reviewing the interim consolidated financial statements for the six months ended 30th June, 2012 and the interim results announcement;

– reviewing the significant audit and accounting issues arising from the external auditor's audit;

– considering the appointment of external auditor and their audit fees;

– meeting with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the auditor might wish to raise;

– reviewing the development in accounting standards and the Group's response, including the preparation for adoption of Hong Kong Financial Reporting Standards;

– reviewing the Company's compliance with regulatory and statutory requirements; and

– reviewing the Group's risk management processes;

The Audit Committee assesses the independence of the external auditor during the year through a series of questions and the external auditor also formally communicate to the Audit Committee their business relationship with the Group and any other independence matters. The annual results for the year ended 31st December, 2012 have been reviewed by the Audit Committee.

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. They have the delegated responsibility to determine the remuneration packages of individual executive director and senior management. The terms of reference of the Remuneration Committee follow the code provisions set out in the CG Code and are available on the website of the Company and the Stock Exchange.

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

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 held one meeting in the year 2012 with all committee members attended the meeting. During the meeting, 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, Mr. Lai Ming, Joseph and Dr. Lam King Sun, Frankie 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 independent non-executive Directors. The term of reference of the Nomination Committee follow the code provisions set out in the CG Code and available on the websites of the Company and the Stock Exchange.

In considering the new appointment or re-election of Directors, the Nomination Committee will take into consideration the expertise, experience and integrity of that appointee.

The Nomination Committee held one meeting in the year 2012 with all committee members attended the meeting. During the meeting, the Nomination Committee considered the re-election of Directors, who retire according to Article 87 of the Articles of Association of the Company. No member took part in voting about his re-election of Director at the meeting.

Board Committees *(Continued)*

Corporate Governance Functions

The Board is also responsible for performing the corporate governance duties as set out below:

a. to approve and review the Company's policies and practices on corporate governance;

b. to review the Company's overall corporate governance arrangements;

c. to review and monitor the training and continuous professional development of Directors and senior management;

d. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

e. to review and monitor the code of conduct and compliance (if any) applicable to the Directors and employees; and

f. to review the Company's compliance with the New Code and disclosure in the Corporate Governance Report.

Control Mechanisms

The Board acknowledges its responsibility in maintaining a sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Company at all times.

Audit and Internal Control

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Company's internal controls is independently conducted by the management on an on-going basis.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Company and its subsidiaries for the year ended 31st December, 2012 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, 2012 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 29 to 30 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, 2012, services provided to the Company by its external auditor, Messrs. Deloitte Touche Tohmatsu, and the respective fees paid were:

	2012	2011
	HK$'000	HK$'000
Audit services	**647**	1,138
Other non-audit services	**314**	344

Shareholders' rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner.

Shareholders' rights *(Continued)*

Shareholders may at any time put forward their enquiries to the Board in writing through the Company Secretary whose contact details are as follows:

Shinhint Acoustic Link Holdings Limited
Unit 1506, 15/F, Nanyang Plaza
57 Hung To Road, Kwun Tong
Kowloon, Hong Kong

Tel No.: (852) 2950 5000
Fax No.: (852) 2950 5050

Investor Relations and Communication with Shareholders

The Board established a shareholders' communication policy to ensure that shareholders and potential investors are provided with ready, equal and timely access to information of the Company.

The Company has maintained a corporate website at www.shinhint.com through which the Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors.

The annual general meeting also provides an important opportunity for constructive communication between the Board and shareholders. The Chairman, members of the Board and external auditor attended the annual general meeting held on 17th May, 2012 to answer questions raised by the shareholders.

Biographical Details of Directors and Senior Management

Board of Directors

Executive Directors

Mr. Cheung Wah Keung, aged 51, 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 21 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 Harmonic Strait Financial Holdings Limited (formerly known as 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 50, 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 26 years of working experience in international sales and marketing, of which more than 12 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.

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 68, 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.

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 until 31st March, 2012. He is also independent non-executive directors of Nan Fung Group Holdings Limited (formerly known as Chen's Holdings Limited) and Nan Fung Property Holdings Limited (formerly known as Sheng Fung Company, Limited).

Board of Directors *(Continued)*

Independent Non-Executive Directors *(Continued)*

Dr. Lam King Sun, Frankie, aged 52, has been an Independent Non-Executive Director of the Company since June 2005. He has over 25 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 66, 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.

Senior Management

Mr. Chan Yick Fung, aged 46, 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 52, 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.

Mr. Leung Yiu San, Ronson, aged 50, joined the Group in November 2009 and is the director of business development of Tai Sing. He has over 23 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 49, 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 24 years experience in project management, finished goods sourcing and supplier base 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.

Senior Management *(Continued)*

Mr. Cheong Lik Ming, aged 41 joined the Group in April 2005 and is the director of technology and research of Tai Sing. Mr. Cheong has 18 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 54, 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 People's Republic of China (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 35, 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 13 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 52, 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 16 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 40, re-joined the Group in April 2011 as the vice president 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") are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31st December, 2012.

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, 2012 are set out in the consolidated income statement on page 31.

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 34.

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, 2012 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. Cheung Wah Keung and Dr. Lam King Sun, Frankie 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, 2012, 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	9,596,000	–	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%

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, 2012, 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, exercise, 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 01/01/2012	Granted	Exercised	Lapsed	As at 31/12/2012
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

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 31/12/2012
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	785,400	–	–	686,400	99,000
			15/01/2013	15/01/2013 – 27/12/2020	785,400	–	–	686,400	99,000
			15/01/2014	15/01/2014 – 27/12/2020	809,200	–	–	707,200	102,000
Sub-total					2,380,000	–	–	2,080,000	300,000
Total					6,480,000	–	–	2,080,000	4,400,000

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, 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.

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

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.

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, 2012.

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, 2012, the five largest customers accounted for approximately 75% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 29% of the Group's total turnover.

For the year ended 31st December, 2012, 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.

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, 22nd March, 2013

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

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 31 to 80, which comprise the consolidated statement of financial position as at 31st December, 2012, 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.

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, 2012, 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

22nd March, 2013

Consolidated Income Statement

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	7	**1,111,386**	1,150,524
Cost of sales		**(1,007,179)**	(1,071,315)
Gross profit		**104,207**	79,209
Other income	8	**944**	1,385
Selling and distribution costs		**(19,558)**	(17,613)
Administrative expenses		**(68,418)**	(78,294)
Research and development expenses		**(20,223)**	(25,294)
Impairment loss recognised on trade debtors		**(26,175)**	–
Other gains and losses		**(1,589)**	2,229
Finance costs	9	**(555)**	(7)
Loss before taxation	10	**(31,367)**	(38,385)
Taxation	11	**(2,031)**	2,395
Loss for the year attributable to owners of the Company		**(33,398)**	(35,990)
Loss per share			
Basic (HK dollar)	14	**(0.10)**	(0.11)
Diluted (HK dollar)		**(0.10)**	(0.11)

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	2012	2011
	HK$'000	HK$'000
Loss for the year	**(33,398)**	(35,990)
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations	**(186)**	1,470
Exchange differences reclassified to profit or loss upon deregistration of a foreign operation	**–**	(1,776)
Other comprehensive expense for the year	**(186)**	(306)
Total comprehensive expense for the year	**(33,584)**	(36,296)

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current Assets			
Property, plant and equipment	15	**62,370**	77,806
Intangible assets	16	**978**	978
Rental deposits		**1,028**	991
Deposits for acquisition of property, plant and equipment		**1,518**	637
		65,894	80,412
Current Assets			
Inventories	17	**104,909**	134,828
Trade debtors, deposits and prepayments	18	**352,433**	400,724
Tax recoverable		**1,856**	1,860
Bank balances and cash	19	**87,421**	87,099
		546,619	624,511
Current Liabilities			
Trade creditors and accrued charges	20	**340,356**	384,727
Tax liabilities		**847**	682
Bank borrowings – due within one year	21	**15,000**	30,000
		356,203	415,409
Net Current Assets		**190,416**	209,102
Total Assets less Current Liabilities		**256,310**	289,514
Capital and Reserves			
Share capital	22	**3,215**	3,215
Reserves		**252,359**	285,720
Total Equity		**255,574**	288,935
Non-current Liability			
Deferred tax liability	24	**736**	579
		256,310	289,514

The consolidated financial statements on pages 31 to 80 were approved and authorised for issue by the Board of Directors on 22nd March, 2013 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, 2012

	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, 2011	3,215	89,714	4,950	614	2,605	–	229,405	330,503
Loss for the year	–	–	–	–	–	–	(35,990)	(35,990)
Other comprehensive income 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 to retained profits	–	–	–	466	–	–	(466)	–
At 31st December, 2011	3,215	89,714	4,950	1,080	2,299	1,159	186,518	288,935
Loss for the year	–	–	–	–	–	–	(33,398)	(33,398)
Other comprehensive expense for the year:								
Exchange differences arising on translation of foreign operations	–	–	–	–	(186)	–	–	(186)
Total comprehensive expense for the year	–	–	–	–	(186)	–	(33,398)	(33,584)
Recognition of equity-settled share-based payment	–	–	–	–	–	223	–	223
Lapse of share options	–	–	–	–	–	(201)	201	–
Transfer to retained profits	–	–	–	447	–	–	(477)	–
At 31st December, 2012	3,215	89,714	4,950	1,527	2,113	1,181	152,874	255,574

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. The subsidiary is required to transfer 5% of the annual net income from retained profits to the statutory reserve, until the statutory reserve is accumulated up to 50% of its registered capital. The statutory reserve can be used to make up for previous year's losses or convert into additional capital.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	2012 HK$'000	2011 HK$'000
Operating activities		
Loss before taxation	**(31,367)**	(38,385)
Adjustments for:		
Finance costs	**555**	7
Depreciation	**21,243**	18,832
Share-based payment expense	**223**	1,159
Exchange gain realised on deregistration of a foreign operation	**–**	(1,776)
Impairment loss reversed on other debtors	**(42)**	(314)
Impairment loss recognised on trade debtors	**26,175**	–
Write down of inventories	**3,494**	7,197
Interest income	**(462)**	(1,182)
Gain on disposal of property, plant and equipment	**(14)**	(135)
Operating cash flows before movements in working capital	**19,805**	(14,597)
Decrease (increase) in inventories	**26,410**	(25,985)
Decrease (increase) in trade debtors, deposits and prepayments	**22,151**	(132,889)
(Decrease) increase in trade creditors and accrued charges	**(42,677)**	146,457
Deposit paid for rental deposits	**(37)**	–
Cash generated from (used in) operations	**25,652**	(27,014)
Income tax paid	**(1,710)**	(80)
Net cash generated from (used in) operating activities	**23,942**	(27,094)
Investing activities		
Purchase of property, plant and equipment	**(6,959)**	(26,656)
Proceeds on disposal of property, plant and equipment	**183**	164
Interest received	**462**	1,182
Deposits paid for acquisition of property, plant and equipment	**(1,518)**	(637)
Net cash used in investing activities	**(7,832)**	(25,947)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	2012	2011
	HK$'000	HK$'000
Financing activities		
New bank borrowings raised	**75,000**	50,000
Repayment of bank borrowings	**(90,000)**	(41,000)
Dividends paid	**–**	(6,431)
Interest paid	**(555)**	(7)
Net cash (used in) from financing activities	**(15,555)**	2,562
Net increase (decrease) in cash and cash equivalents	**555**	(50,479)
Effect of foreign exchange rate changes	**(233)**	2,018
Cash and cash equivalents at beginning of the year	**87,099**	135,560
Cash and cash equivalents at end of the year, representing bank balances and cash	**87,421**	87,099

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")

Amendments to HKFRSs applied in the current year

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

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments Disclosures – Transfer of Financial Assets

The application of the amendments to 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 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 HKFRSs	Annual Improvement to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
HKFRS 9	Financial Instrument[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangement[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013
[2] Effective for annual periods beginning on or after 1st January, 2015
[3] Effective for annual periods beginning on or after 1st July, 2012
[4] Effective for annual periods beginning on or after 1st January, 2014

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

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of the other 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Income and expenses 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 discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:–

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development expenditure *(Continued)*

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 recognised 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.

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.

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 for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other debtors, and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

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 of the financial assets, the estimated future cash flows of the financial assets have been affected.

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;

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt 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 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.

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, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realised value represents the estimated selling price of inventories less all estimated selling cost of completion and costs necessary to make the sale.

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Borrowing costs

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

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

Allowance for inventories

A significant portion of the Group's working capital is devoted to inventories and the nature of inventories is subject to frequent technological changes. The management reviews the inventory age listing on a periodic basis to identify slow-moving and obsolete inventories and making allowance for obsolete items. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. If the market conditions were to deteriorate and more obsolete and slow-moving inventory items were to be identified, additional allowances may be required. As at 31st December, 2012, the carrying amount of inventories was HK$104,909,000 (2011: HK$134,828,000) (net of allowance for inventories of HK$26,433,000 (2011: HK$22,903,000)).

Impairment on trade debtors

On assessing any impairment of the Group's trade receivables, the management regularly reviews the recoverability, creditworthiness of customers and ages of the trade debtors. Impairment on trade debtors is made based on estimation of the future cash flows discounted at the original effective interest rates. If the financial condition of the customers of the Group deteriorates, resulting in an impairment of their ability to make payments, additional impairment may be required. As at 31st December, 2012, the carrying amount of trade debtors was HK$326,004,000 (2011: HK$371,647,000) (net of allowance for doubtful debts of HK$26,175,000 (2011: nil)).

Impairment on 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 (2011: 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) cash and cash equivalents and equity attributable to the owners of the company, comprising issued share capital, share premium, reserves and retained profits.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**414,265**	460,153
Financial liabilities		
At amortised cost	**344,316**	406,330

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Interest rate risk

The Group is also exposed to 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.

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

(ii) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**127**	3,134	**39**	28,237
United States dollars ("USD")	**348,711**	363,032	**91,602**	150,543

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 6% (2011: 6%) increase and decrease in Renminbi against Hong Kong dollars. The sensitivity rate of 6% (2011: 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% (2011: 6%) change in foreign currency rate. A positive number of the net impact indicates a decrease in post-tax loss for the year where Renminbi strengthen against Hong Kong dollars. For a 6% (2011: 6%) weakening of Renminbi against Hong Kong dollars, there would be an equal and opposite impact on the loss for the year.

	Impact	
	2012	2011
	HK$'000	HK$'000
Increase in loss for the year	**(5)**	(1,382)[(i)]

(i) This is mainly attributable to the exposure on outstanding bank balances and trade creditors denominated in RMB of the year end.

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, 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

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 from certain foreign countries. The top five customers of the Group accounted for about 83% (2011: 71%) of the Group's trade debtors as at 31st December, 2012, with an aggregate carrying amount of HK$33,489,000 (2011: HK$14,754,000) which are past due but not impaired at the end of reporting period. These customers are large multi-national companies in acoustic accessories and peripherals business. The assessment on impairment on debtors is set out in note 18.

In order to minimise the credit risk, 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. As a result of the impairment loss recognised on a customer as disclosed in note 18, the Group strengthens the review of the changes in credit quality of the trade debtors. 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 and reputable banks in the PRC.

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.

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, 2012, the Group had available unutilised overdraft and short-term bank loan facilities of approximately HK$56,007,000 (2011: HK$20,000,000).

The following table details the Group's remaining contractual maturity for its non-derivative 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

2012	**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, 2012 HK$'000**
Non-interest bearing	**–**	**316,390**	**12,553**	**373**	**329,316**	**329,316**
Variable interest rate instruments	**1.63**	**15,061**	**–**	**–**	**15,061**	**15,000**
		331,451	**12,553**	**373**	**344,377**	**344,316**

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

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.

c. Fair values

The fair values of financial assets with standard terms and conditions and trade in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow or basis set out in the respective notes.

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:

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	178,194	306,240	136,902	398,451	91,599	1,111,386
RESULT						
Segment result	1,248	(17,819)	(9,239)	3,872	(8,076)	(30,014)
Unallocated other income						944
Unallocated administrative expenses						(1,742)
Finance costs						(555)
Loss before taxation						(31,367)
Taxation						(2,031)
Loss for the year						(33,398)

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	4,007	6,886	3,078	5,212	2,060	21,243
Gain on disposal of property, plant and equipment	(4)	(6)	(3)	–	(1)	(14)
Write down (reversal) of inventories	1,225	2,105	941	(1,407)	630	3,494
Research and development expenses	4,466	7,676	3,431	2,354	2,296	20,223

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 other income						3,161
Unallocated administrative 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)*

Segment result represents the profit (loss) earned by each segment without allocation of finance costs, unallocated other income and administrative 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The Netherlands	**183,126**	172,719	**–**	–
United States of America	**268,479**	331,846	**–**	–
PRC	**232,576**	247,133	**65,894**	80,412
Belgium	**99,875**	174,851	**–**	–
Germany	**81,427**	45,169	**–**	–
Canada	**54,397**	45,354	**–**	–
Other countries	**191,506**	133,452	**–**	–
	1,111,386	1,150,524	**65,894**	80,412

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Included in the Group's revenue is revenue of approximately HK$831,148,000 (2011: HK$850,417,000) which arose from sales to the Group's top five customers. Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended	
	2012	2011
	HK$'000	HK$'000
Customer A[1]	**325,105**	377,669
Customer B[2]	**264,488**	366,454
Customer C[2]	**126,043**	N/A[3]

1 Revenue from speaker drivers business
2 Revenue from communication peripheral, portable audio and desktop audio business
3 The corresponding revenue in 2011 did not contribute over 10% of the total sales of the Group

8. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Bank interest income	**462**	1,182
Sundry income	**482**	203
	944	1,385

9. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**555**	7

10. LOSS BEFORE TAXATION

	2012 HK$'000	2011 HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
Current year	**647**	1,138
Overprovision in respect of prior year	**(119)**	–
Cost of inventories recognised as an expense including net write down of inventories of HK$3,494,000 (2011: HK$7,197,000)	**1,007,179**	1,071,315
Depreciation	**21,243**	18,832
Net exchange loss (gain) (included in other gains and losses)	**1,603**	(2,094)
Staff costs		
Directors' emoluments (included share-based payment expense of HK$334,000 (2011: HK$734,000) and retirement benefit scheme contributions of HK$28,000 (2011: HK$24,000)) (note 12)	**4,687**	5,083
Retirement benefit scheme contributions (note 27)	**4,468**	4,076
Share-based payment expense (excluding those included in directors' emoluments)	**(111)**	425
Other staff costs	**185,178**	184,423
Total staff costs	**194,222**	194,007
Operating lease rentals in respect of rented premises	**19,493**	18,785
Impairment loss recognised on trade debtors	**26,175**	–
Impairment loss reversed on other debtors	**(42)**	(314)
Gain on disposal of property, plant and equipment (included in other gains and losses)	**(14)**	(135)

11. TAXATION

	2012 HK$'000	2011 HK$'000
The charge comprises:		
Current tax for the year		
Hong Kong	**250**	308
PRC Enterprise Income Tax	**1,442**	743
	1,692	1,051
(Over)underprovision in prior years		
Hong Kong	**(70)**	(82)
PRC Enterprise Income Tax	**252**	(770)
	182	(852)
Deferred taxation (note 24)		
Current year	**157**	(2,594)
	2,031	(2,395)

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. Starting from 1st January, 2013, this PRC subsidiary is subject to PRC Enterprise Income Tax at 25%. For the PRC subsidiaries without preferential tax rates, the subsidiaries are subject to PRC Enterprise Income Tax at 25%.

During the year ended 31st December, 2011, 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 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. During the year ended 31st December, 2012, 100% of its assessable profits were subject to Hong Kong Profits Tax.

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 before taxation per the consolidated income statement as follows:

	2012 **HK$'000**	2011 HK$'000
Loss before taxation	**(31,367)**	(38,385)
Tax at Hong Kong Profits Tax rate of 16.5%	**(5,176)**	(6,334)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**612**	602
Tax effect of expenses not deductible for tax purpose	**2,210**	3,528
Tax effect of income not taxable for tax purpose	**(67)**	(365)
Under(over)provision in respect of prior years	**182**	(852)
Tax effect of tax losses not recognised	**3,776**	894
Tax effect of deductible temporary differences not recognised	**706**	726
Tax effect of utilisation of temporary differences previously not recognised	**–**	(184)
Effect of concessionary rate and tax exemption granted to a PRC subsidiary	**(523)**	(786)
Withholding tax on undistributed earnings of a PRC subsidiary (note 24)	**157**	253
Others	**154**	123
Taxation for the year	**2,031**	(2,395)

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and chief executive

The emoluments paid or payable to each of the five (2011: five) directors and chief executive were as follows:

	Cheung Wah Keung HK$'000	Wong Sau Lik, Weeky Peter HK$'000 (Note)	Goh Gen Cheung HK$'000	Lai Ming, Joseph HK$'000	Lam King Sun, Frankie HK$'000	Total HK$'000
2012						
Fees	**–**	**–**	**250**	**250**	**250**	**750**
Other emoluments						
Salaries and other benefits	**1,950**	**1,625**	**–**	**–**	**–**	**3,575**
Retirement benefit scheme contributions	**14**	**14**	**–**	**–**	**–**	**28**
Share-based payment expense	**–**	**262**	**24**	**24**	**24**	**334**
	1,964	**1,901**	**274**	**274**	**274**	**4,687**
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

Note: Mr. Wong Sau Lik, Weeky Peter is also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive.

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2011: two) were executive directors and the chief executive of the Company whose emoluments are set out above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**2,628**	3,230
Retirement benefit scheme contributions	**28**	24
Share-based payment expense	**–**	233
	2,656	3,487

Their emoluments were within the following bands:

	2012 Number of employees	2011 Number of employees
HK$500,001 to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	–
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 and the chief executive 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 and chief executive waived any emoluments during both years.

13. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Dividend recognised as distribution during the year:		
Final dividend paid in respect of dividend declared for 2011 of nil (2011: HK2.0 cents in respect of final dividend declared for 2010) per share	–	6,431

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2012 (2011: nil).

14. 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:

	2012 HK$'000	2011 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the year	**33,398**	35,990

	'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 both years does not assume the exercise of the Company's share options because it will reduce the amount of loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2011	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
Additions	1,804	930	490	2,704	–	5,928
Disposals	(190)	–	–	–	–	(190)
Exchange adjustments	72	4	14	11	–	101
At 31st December, 2012	148,883	3,913	39,974	31,676	3,493	227,939
DEPRECIATION						
At 1st January, 2011	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
Provided for the year	13,563	531	3,564	3,443	142	21,243
Eliminated on disposals	(21)	–	–	–	–	(21)
Exchange adjustments	34	2	10	7	–	53
At 31st December, 2012	107,699	1,949	32,043	21,007	2,871	165,569
CARRYING VALUES						
At 31st December, 2012	41,184	1,964	7,931	10,669	622	62,370
At 31st December, 2011	53,074	1,563	11,001	11,404	764	77,806

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% or over lease term if shorter
Motor vehicles	20% – 25%

16. INTANGIBLE ASSETS

	Club membership HK$'000 (Note)
COST AND CARRYING VALUES	
As at 1st January, 2011, 31st December, 2011 and 31st December, 2012	978

Note:

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, 2012, 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 necessary for the current year (2011: nil).

17. INVENTORIES

	2012 **HK$'000**	2011 HK$'000
Raw materials	**41,132**	71,789
Work in progress	**26,400**	21,022
Finished goods	**37,377**	42,017
	104,909	134,828

During the year, there was a significant usage of the obsolete raw materials in the manufacturing process. As a result, a reversal of write down of raw materials of HK$10,962,000 (2011: HK$836,000) has been recognised and included in cost of sales in the current year.

18. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	2012 HK$'000	2011 HK$'000
Trade debtors	**352,179**	371,647
Less: Allowance for doubtful debts	**(26,175)**	–
	326,004	371,647
Other debtors, deposits and prepayments	**26,429**	29,077
	352,433	400,724

Included in Group's debtors are trade debtors with carrying amounts of HK$314,890,000 (2011: HK$347,510,000) which were 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 (2011: 30 days to 105 days) to its trade customers, and may further extend the credit period to selected customers depending on their trade volume and settlement with the Group.

The following is an aged analysis of trade debtors (net of allowance for doubtful debts) presented based on the invoice dates at the end of the respective reporting periods, which approximated the respective revenue recognition dates:

	2012 HK$'000	2011 HK$'000
0 to 30 days	**73,846**	136,704
31 to 60 days	**111,657**	108,562
61 to 90 days	**81,643**	87,742
91 to 120 days	**52,883**	29,320
Over 120 days	**5,975**	9,319
	326,004	371,647

Included in the Group's trade debtor balances are debtors with aggregate carrying amount of HK$46,101,000 (2011: HK$40,348,000) which have been past due at the end of reporting period. The Group does not hold any collateral over these balances. 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 there has been substantial settlement after the end of the reporting period. Accordingly, the Group considers the amounts are recoverable, therefore, no impairment loss is considered necessary.

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.

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

Ageing of trade debtors which are past due but not impaired

	2012 HK$'000	2011 HK$'000
Overdue by:		
Less than 31 days	**39,087**	31,274
31 days to 90 days	**2,728**	6,021
91 days to 365 days	**4,286**	3,053
Total	**46,101**	40,348

Movement in the allowance for doubtful debts:

	2012 HK$'000	2011 HK$'000
At 1st January	**–**	–
Impairment losses recognised on trade debtors	**26,175**	–
At 31st December	**26,175**	–

During the year, the Group recognised an impairment loss on an amount due from a customer that is engaged in communication peripheral, portable audio and desktop audio business given that the customer has been in severe financial difficulties. Full impairment loss of HK$26,175,000 (2011: nil) has been made which represents the whole balance of the customer.

During the year ended 31st December, 2012, an impairment loss of HK$42,000 previously made on other debtors (2011: HK$314,000) was reversed in profit or loss.

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% (2011: 0.1% to 1.5%) per annum.

Included in the Group's bank balances are bank balances with carrying amounts of HK$33,821,000 (2011: HK$15,522,000) and HK$127,000 (2011: HK$3,134,000) 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:

	2012	2011
	HK$'000	HK$'000
0 to 30 days	**91,958**	96,769
31 to 60 days	**66,915**	70,450
61 to 90 days	**55,807**	66,110
91 to 120 days	**50,106**	62,934
Over 120 days	**17,141**	28,508
	281,927	324,771
Accrued charges	**58,429**	59,956
	340,356	384,727

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$91,602,000 (2011: HK$150,543,000) and HK$39,000 (2011: HK$28,237,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

21. BANK BORROWINGS

	2012	2011
	HK$'000	HK$'000
Unsecured bank borrowings, repayable within one year	**15,000**	30,000

Bank borrowings comprise:

	Effective interest rate (per annum)		**Carrying amount**	
	2012	2011	**2012**	2011
			HK$'000	HK$'000
Floating-rate Hong Kong dollars denominated bank loans:				
At HIBOR + 0.8%	–	1.16%	–	10,000
At HIBOR + 1.2%	–	1.58%	–	10,000
At HIBOR + 1.5%	**1.63%**	1.88%	**15,000**	10,000
			15,000	30,000

The bank borrowings of the Group's subsidiary are guaranteed by the Company.

As at the end of reporting period, the Group has undrawn borrowing facilities of HK$56,007,000 (2011: HK$20,000,000).

22. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	500,000,000	5,000
Issued and fully paid:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	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

(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.

23. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

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.

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.

23. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

Basis of determining the subscription price for the ordinary shares

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the board of directors of the Company and shall not be less than the highest of:

(i) the closing price of the ordinary shares as stated in SEHK's daily quotations sheet on the date of offer of that grant, which must be a business day;

(ii) the average of the closing prices per ordinary share as stated in SEHK's daily quotations sheet for the five business days immediately preceding the date of offer of that option; and

(iii) the nominal value of the ordinary shares.

Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 14th July, 2005, being the date the ordinary shares were listed on the SEHK.

Details of the movement of the outstanding share options under the Share Option Scheme during the year ended 31st December, 2012 are as follows:

					Number of share options					
Category of participants	Date of grant	Exercise price HK$	Vesting date	Exercisable period	As at 01/01/2012	Granted	Exercised	Cancelled	Lapsed	As at 31/12/2012
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	785,400	–	–	–	(686,400)	99,000
			15/01/2013	15/01/2013 – 27/12/2020	785,400	–	–	–	(686,400)	99,000
			15/01/2014	15/01/2014 – 27/12/2020	809,200	–	–	–	(707,200)	102,000
					2,380,000	–	–	–	(2,080,000)	300,000
					6,480,000	–	–	–	(2,080,000)	4,400,000

23. SHARE OPTION SCHEME *(Continued)*

Equity-settled share option scheme *(Continued)*

Remaining life of the Share Option Scheme *(Continued)*

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

Category of participants	Date of grant	Exercise price HK$	Vesting date	Exercisable period	Number of share options As at 01/01/2011	Granted	Exercised	Cancelled	Lapsed	As at 31/12/2011
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

The share-based payment expense of HK$223,000 (2011: HK$1,159,000) 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 HK$'000	**Undistributed profits of a subsidiary** HK$'000	**Total** HK$'000
At 1st January, 2011	2,847	326	3,173
(Credit) charge to profit or loss	(2,847)	253	(2,594)
At 31st December, 2011	–	579	579
Charge to profit or loss	–	157	157
At 31st December, 2012	–	736	736

As at 31st December, 2012, the Group had deductible temporary differences and unutilised tax losses carried forward to offset future taxable profits of HK$9,546,000 (2011: HK$5,267,000) and HK$35,903,000 (2011: HK$13,018,000) respectively. Included in the unutilised tax losses are losses of HK$2,277,000 (2011: HK$2,277,000) that will expire in the year 2015 (2011: year 2015) and are subject to approval by the tax authority of the PRC. 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:

	2012 **HK$'000**	2011 HK$'000
Within one year	**12,994**	7,979
In the second to fifth years inclusive	**1,435**	–
	14,429	7,979

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

	2012 HK$'000	2011 HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**99**	290

27. EMPLOYEE RETIREMENT BENEFITS

The Group joined the 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 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$4,496,000 (2011: HK$4,100,000) 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:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**11,042**	13,010
Retirement benefit schemes contributions	**158**	155
Share-based payment expense	**262**	858
	11,462	14,023

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

	2012 HK$'000	2011 HK$'000
Non-current Assets		
Unlisted investment in a subsidiary	**20,506**	998
Amount due from a subsidiary	**88,366**	107,720
	108,872	108,718
Current Assets		
Amounts due from subsidiaries	**111,181**	113,668
Other receivables	**212**	216
Bank balances and cash	**960**	226
	112,353	114,110
Current Liability		
Other payables	**(277)**	(562)
	220,948	222,266
Capital and Reserves		
Share capital	**3,215**	3,215
Reserves (Note)	**217,733**	219,051
	220,948	222,266

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, 2011	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
Loss for the year	–	–	–	(1,541)	(1,541)
Recognition of equity-settled share-based payment	–	–	223	–	223
Transfer to retained profits	–	–	(201)	201	–
At 31st December, 2012	89,714	107,647	1,181	19,191	217,733

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, 2012 and 2011 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation or establishment	Paid up issued ordinary share capital/ registered capital	Proportion of interest held by the Company (Note 1) 2012	2011	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	HK$5,000,000	**100%**	100%	Investment holding and trading 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%**	100%	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 outstanding at 31st December, 2012 and 2011 or during the years then ended.

Financial Summary

	Year ended 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	1,359,491	1,031,122	1,056,154	1,150,524	**1,111,386**
Profit (loss) for the year	28,351	24,108	10,683	(35,990)	**(33,398)**
Attributable to:					
Owners of the Company	31,391	26,314	10,683	(35,990)	**(33,398)**
Non-controlling interests	(3,040)	(2,206)	–	–	**–**
	28,351	24,108	10,683	(35,990)	**(33,398)**

	At 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	693,527	588,268	590,054	704,923	**612,513**
Total liabilities	(357,051)	(245,928)	(259,551)	(415,988)	**(356,203)**
Shareholders' funds	336,476	342,340	330,503	288,935	**256,310**
Equity attributable to owners of the Company	334,270	342,340	330,503	288,935	**256,310**
Non-controlling interests	2,206	–	–	–	**–**
	336,476	342,340	330,503	288,935	**256,310**