



成謙聲匯控股有限公司

Shinhint Acoustic Link Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

Interim Report 2014



Realizing Sound Ideas

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Corporate Information

Board of Directors

Executive Directors

Mr. Cheung Wah Keung
(*Chairman of the Board*)
Mr. Su Zhiyong
(Appointed on 7th April 2014)
Mr. Wong Sau Lik, Weekly Peter
(Resigned on 25th April 2014)

Non-Executive Director

Mr. Yip Yat Ming
(Appointed on 7th April 2014)

Independent Non-Executive Directors

Mr. Lai Ming, Joseph
(Retired on 23rd May 2014)
Mr. Goh Gen Cheung
Dr. Lam King Sun, Frankie
Mr. Yen Chanan
(Appointed on 20th June 2014)

Audit Committee

Mr. Yen Chanan
(*Chairman of the Committee*)
(Appointed on 20th June 2014)
Mr. Goh Gen Cheung
Dr. Lam King Sun, Frankie
Mr. Lai Ming, Joseph
(Retired on 23rd May 2014)

Remuneration Committee

Dr. Lam King Sun, Frankie
(*Chairman of the Committee*)
Mr. Cheung Wah Keung
Mr. Goh Gen Cheung
Mr. Lai Ming, Joseph
(Retired on 23rd May 2014)
Mr. Yen Chanan
(Appointed on 20th June 2014)

Nomination Committee

Mr. Goh Gen Cheung
(*Chairman of the Committee*)
Mr. Cheung Wah Keung
Mr. Lai Ming, Joseph
(Retired on 23rd May 2014)
Dr. Lam King Sun, Frankie
Mr. Yen Chanan
(Appointed on 20th June 2014)

Authorized Representatives

Mr. Cheung Wah Keung
Mr. Su Zhiyong
(Appointed on 25th April 2014)
Mr. Wong Sau Lik, Weekly Peter
(Resigned on 25th April 2014)

Company Secretary

Mr. Lau Wai Piu, Patrick

Auditor

Deloitte Touche Tohmatsu

Registered Office

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

Head Office

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

Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

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

Corporate Information (Continued)

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

Hang Seng Bank Limited
Nanyang Commercial Bank, Limited
Wing Lung Bank

Legal Adviser

Conyers Dill & Pearman, Cayman

Stock Code

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

Website

www.shinhint.com

Management Discussion and Analysis

Business Review

During the six months ended 30th June, 2014, overall revenue was increased to approximately HK\$250.91 million (2013 interim: HK\$194.67 million); an increase of approximately 28.89% from the corresponding period in 2013. The increase was mainly contributed by the additional sales of speaker drivers for automobile.

The gross profit also increased by 186.31% to approximately HK\$21.13 million for the period under review (2013 interim: HK\$7.38 million). The increase in gross profit was mainly attributable to the introduction of new products and discontinuation of low margin TV speakers.

During the reporting period, the Group also recorded a one-off gain on disposal of subsidiaries amounting to HK\$5.27 million.

Operating expenses for the six months ended 30th June, 2014 were approximately HK\$16.66 million (2013 interim: HK\$11.88 million); an increase of approximately 40.24% from the corresponding period in 2013. HK\$1.8 million of the operating expense for the period ended 30th June, 2014 is arising from the provision of technical service to Tai Sing Industrial Company Limited, which was a former subsidiary of the Company, subsequent to the disposal date. In relation to the provision of technical service to Tai Sing Industrial Company Limited, the Group recognised service income of HK\$1.97 million for the period ended 30th June, 2014. After allowing for this, there was indeed an increase of 25.08% in operating expenses, largely as a result of the combined effects of increased expenses arising from escalated staff cost and higher Research and Development expenses.

Management Discussion and Analysis (Continued)

Financial Review

Liquidity and Financial Resources

As at 30th June, 2014, the Group maintained a healthy cash level with net cash (cash and cash equivalents less bank borrowings) of approximately HK\$164,591,000 (31st December 2013: HK\$103,702,000).

As at 30th June, 2014, the Group's net current assets were approximately HK\$248,250,000 (31st December, 2013: HK\$243,268,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.7 as compared to 1.7 at last year end.

As at 30th June, 2014, the Group had no bank borrowings (31st December, 2013: HK\$nil). The gearing ratio, being computed by dividing total borrowings by shareholders' equity, was nil as at 30th June, 2014 (31st December, 2013: nil).

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

Treasury Policies

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

Contingent Liabilities

As at 30th June, 2014, the Group had no material contingent liabilities.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Human Resources

As at 30th June, 2014, the Group employed a total of approximately 1,380 employees (30th June, 2013: 4,100) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$52,230,000 (30th June, 2013: HK\$86,597,000). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration package and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Prospect

After the disposal of speaker system subsidiary on 28th February, 2014, the Group would focus more on expanding the speaker driver business for both automotive and other audio applications. The scale effects followed by possible increase in sales will offset partially the ever increasing manufacturing cost in China. The Group will also explore other investment opportunities that are beneficial to our shareholders.

Interim Dividend

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30th June, 2014. (HK1 cent per share for 2013 interim).

By order of the Board
Cheung Wah Keung
Chairman

Hong Kong, 22nd August, 2014

Corporate Governance and Other Information

Compliance with the Code on Corporate Governance Practices and the Listing Rules

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules and the Listing Rules for the six months ended 30th June, 2014, except for the following deviation:

Pursuant to Code A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive director was unable to attend the extraordinary general meeting of the Company held on 24th January, 2014 as he was away from Hong Kong at the time.

Under Rules 3.10(1) and 3.10A of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors which must at least represent one-third of the board. Following the retirement of Mr. Lai Ming, Joseph ("Mr. Lai") on 23rd May, 2014, the number of independent non-executive Directors fell below the minimum number and proportion required under Rules 3.10(1) and 3.10A of the Listing Rules.

Under Rule 3.21 of the Listing Rules, the audit committee established by a listed issuer must comprise a minimum of three members. Following the retirement of Mr. Lai, the Audit Committee had two members only. Hence the number of members of the Audit Committee fell below the minimum number required under Rule 3.21 of the Listing Rules.

The Company appointed Mr. Yen Chanan ("Mr. Yen") as an independent non-executive Directors to fill in the vacancy on 20th June, 2014. Mr. Yen was also appointed as the chairman of the Audit Committee. Following the appointment of Mr. Yen, the Company has complied with Rules 3.10(1), 3.10A, 3.21 of the Listing Rules.

Corporate Governance and Other Information (Continued)

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors"). On specific enquiry made, all the Directors of the Company have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2014.

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. Goh Gen Cheung, Dr. Lam King Sun, Frankie and Mr. Yen Chanan. It is chaired by Mr. Yen Chanan, who has the appropriate professional accounting qualification and financial management expertise.

The interim results of the Group for the six months ended 30th June, 2014 have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu. The Audit Committee has also reviewed with senior management of the Group, the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2014.

Purchase, Sale or Redemption of Shares

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

Corporate Governance and Other Information (Continued)

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

As at 30th June, 2014, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity	Number of shares ⁽¹⁾	Number of underlying shares ^{(1), (2)}	Total number of shares	Approximate percentage of the issued shares
Cheung Wah Keung	Interest of a controlled corporation ⁽³⁾	107,655,473	–	107,655,473	33.45%
	Beneficial owner	3,596,000	–	3,596,000	1.12%
Lam King Sun, Frankie	Beneficial owner	–	300,000	300,000	0.09%
Goh Gen Cheung	Beneficial owner	–	300,000	300,000	0.09%

Notes:

- (1) Interests in shares and underlying shares stated above represent long positions.
- (2) The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the share option scheme of the Company are detailed in the section headed "Share Option Scheme" below.
- (3) 107,655,473 shares were held by Pro Partner Developments Limited ("Pro Partner"), a company wholly owned by Mr. Cheung Wah Keung.

Save as disclosed above, as at 30th June, 2014, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information (Continued)

Share Option Scheme

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

No share options were granted and no share options granted under the Share Option Scheme were cancelled during the six months ended 30th June, 2014. Details of the movement of the outstanding share options under the Share Option Scheme during the six months ended 30th June, 2014 are as follows:

Name	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options				
					As at 01/01/2014	Granted	Exercised	Lapsed	As at 30/06/2014
Director									
Wong Sau Lik, Weekly Peter (resigned on 25 April 2014)	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 (retired on 23 May 2014)	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	–	99,000	–	–
			15/01/2013	15/01/2013 – 27/12/2020	99,000	–	99,000	–	–
			15/01/2014	15/01/2014 – 27/12/2020	102,000	–	102,000	–	–
					300,000	–	300,000	–	–
Lam King Sun, Frankie	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	–	–	–	99,000
			15/01/2013	15/01/2013 – 27/12/2020	99,000	–	–	–	99,000
			15/01/2014	15/01/2014 – 27/12/2020	102,000	–	–	–	102,000
					300,000	–	–	–	300,000

Corporate Governance and Other Information (Continued)

Share Option Scheme (Continued)

Name	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options				
					As at 01/01/2014	Granted	Exercised	Lapsed	As at 30/06/2014
Director (Continued)									
Goh Gen Cheung	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	99,000	–	–	–	99,000
			15/01/2013	15/01/2013 – 27/12/2020	99,000	–	–	–	99,000
			15/01/2014	15/01/2014 – 27/12/2020	102,000	–	–	–	102,000
					300,000	–	–	–	300,000
Sub-total					4,100,000	–	300,000	3,200,000	600,000
Eligible employees⁽¹⁾									
	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	–
Sub-total					300,000	–	–	300,000	–
Total					4,400,000	–	300,000	3,500,000	600,000

Note:

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

Corporate Governance and Other Information (Continued)

Substantial Shareholders' Interests

As at 30th June, 2014, 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	111,251,473	34.57%
Chim Pui Chung ⁽³⁾	Interest of a controlled corporation	40,300,000	12.52%
David Michael Webb ⁽⁴⁾	Beneficial owner and interest of a controlled corporation	29,164,000	9.06%

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) 107,655,473 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 3,596,000 shares held beneficially, Mr. Cheung Wah Keung is deemed to be interested in 111,251,473 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) 40,300,000 shares were held by Golden Mount Ltd., a company wholly owned by Mr. Chim Pui Chung. By virtue of the SFO, Mr. Chim Pui Chung is deemed to be interested in all the Shares held by Golden Mount Ltd.
- (4) 21,061,000 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 8,103,000 shares held beneficially, Mr. David Michael Webb is deemed to be interested in 29,164,000 shares in the Company.

Corporate Governance and Other Information (Continued)

Substantial Shareholders' Interests *(Continued)*

Save as disclosed above, as at 30th June, 2014, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the shares, underlying shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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

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



Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SHINHINT ACOUSTIC LINK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 35, which comprise the condensed consolidated statement of financial position as of 30th June, 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and

Report on Review of Condensed Consolidated Financial Statements (Continued)

consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22nd August, 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2014

		Six months ended 30th June,	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited) (Restated)
	<i>Notes</i>		
Continuing operations			
Revenue	3	250,912	194,671
Cost of sales		(229,783)	(187,289)
Gross profit		21,129	7,382
Other income		539	164
Selling and distribution costs		(1,399)	(1,490)
Administrative expenses		(13,781)	(9,179)
Research and development expenses		(1,479)	(1,214)
Other gains and losses		174	(589)
Profit (loss) before tax		5,183	(4,926)
Income tax expense	4	(1,105)	(202)
Profit (loss) for the period from continuing operations	6	4,078	(5,128)
Discontinued operations			
Profit for the period from discontinued operations	5	2,297	5,149
Profit for the period		6,375	21

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30th June, 2014

	Notes	Six months ended	
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Restated)
Other comprehensive (expenses) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(574)	1,533
Total comprehensive income for the period		5,801	1,554
Earnings (loss) per share	8		
From continuing and discontinued operations			
Basic (HK cents)		1.98	0.01
Diluted (HK cents)		1.98	0.01
From continuing operations			
Basic (HK cents)		1.27	(1.59)
Diluted (HK cents)		1.27	(1.59)

Condensed Consolidated Statement of Financial Position

At 30th June, 2014

	<i>Notes</i>	30th June, 2014 HK\$'000 (Unaudited)	31st December, 2013 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment	9	15,718	16,887
Club membership		978	978
Rental deposits		643	649
		17,339	18,514
Current Assets			
Inventories		35,429	46,864
Trade debtors, deposits and prepayments	10	191,793	137,353
Bank balances and cash		164,591	50,407
		391,813	234,624
Assets classified as held for sale	5	–	367,013
		391,813	601,637
Current Liabilities			
Trade creditors and accrued charges	11	142,725	147,682
Tax liabilities		838	598
		143,563	148,280
Liabilities associated with assets classified as held for sale	5	–	210,089
		143,563	358,369
Net Current Assets		248,250	243,268
Total Assets less Current Liabilities		265,589	261,782

Condensed Consolidated Statement of Financial Position (Continued)

At 30th June, 2014

		30th June, 2014 HK\$'000 (Unaudited)	31st December, 2013 HK\$'000 (Audited)
	<i>Notes</i>		
Capital and Reserves			
Share capital	12	3,218	3,215
Reserves		261,534	257,730
Total Equity		264,752	260,945
Non-current Liabilities			
Deferred tax liabilities		837	837
		265,589	261,782

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2014

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1st January, 2013 (audited)	3,215	89,714	4,950	1,527	2,113	1,181	152,874	255,574
Profit for the period	-	-	-	-	-	-	21	21
Other comprehensive income for the period:								
Exchange differences arising on translation of foreign operations	-	-	-	-	1,533	-	-	1,533
Total comprehensive income for the period	-	-	-	-	1,533	-	21	1,554
Recognition of equity-settled share-based payment	-	-	-	-	-	55	-	55
At 30th June, 2013 (unaudited)	3,215	89,714	4,950	1,527	3,646	1,236	152,895	257,183
At 1st January, 2014 (audited)	3,215	89,714	4,950	1,737	5,005	1,292	155,032	260,945
Profit for the period	-	-	-	-	-	-	6,375	6,375
Other comprehensive expense for the period:								
Exchange differences arising on translation of foreign operations	-	-	-	-	(574)	-	-	(574)
Total comprehensive income for the period	-	-	-	-	(574)	-	6,375	5,801
Disposal of subsidiaries	-	-	-	-	(2,273)	-	-	(2,273)
Exercise of share options	3	364	-	-	-	(88)	-	279
Lapse of share options	-	-	-	-	-	(1,027)	1,027	-
At 30th June, 2014 (unaudited)	3,218	90,078	4,950	1,737	2,158	177	162,434	264,752

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2014

	Six months ended	
	30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	24,512	35,958
Investing activities		
Proceeds on disposal of subsidiaries	37,995	–
Interest received	717	43
Purchase of property, plant and equipment	(2,125)	(2,529)
Net cash from (used in) investing activities	36,587	(2,486)
Financing activities		
Proceeds from issue of shares	279	–
Repayment of bank borrowings	–	(15,000)
Interest paid	–	(2)
Net cash from (used in) financing activities	279	(15,002)
Net increase in cash and cash equivalents	61,378	18,470
Effect of foreign exchange rate changes	(489)	38
Cash and cash equivalents at beginning of the period	103,702	87,421
Cash and cash equivalents at end of the period, represented by bank balances and cash	164,591	105,929

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

1. BASIS OF PREPARATION

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

During the year ended 31st December, 2013, the directors decided to dispose of its interests in the headphones and speaker systems segment (*as defined in Note 3*) and shift its focus on to the speaker units segment (*as defined in Note 3*). The headphones and speaker systems segment had been discontinued and presented as discontinued operations in the Group's consolidated financial statements for the year ended 31st December, 2013. Accordingly, in preparing the condensed consolidated financial statements for the six month ended 30th June, 2014, the comparative figures of the condensed consolidated statement of profit or loss and related disclosure notes have been restated to reflect the presentation of headphones and speaker systems segment as a discontinued operation.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2013.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

3. REVENUE AND SEGMENT INFORMATION

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

The Group had two operating segments in prior periods:

- Headphones and speaker systems segment: manufacturing and trading of wireless and wired headphones and portable and stationary speaker systems.
- Speaker units segment: manufacturing and trading of speaker drivers for automotive, flat-panel TV and audio applications and sales of miscellaneous parts and accessories.

After segment of headphones and speaker systems was discontinued during the year ended 31st December, 2013 as disclosed in Note 5, the Group has been operating with only one reportable and operating segment.

For the purpose of performance assessment and resources allocation, the Group's chief operating decision maker ("CODM"), regularly reviews the revenue and results of the segment. Segment results in prior period represent the profit (loss) attributable to each segment without allocation of certain income and administrative expenses. For the current year, CODM reviews the consolidated revenue as the segment revenue and the consolidated profit before taxation as the segment result commencing in the beginning of the current period. Accordingly, no further segment information has been presented in the current and prior interim periods.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

4. INCOME TAX EXPENSE – CONTINUING OPERATIONS

	Six months ended 30th June,	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited) (Restated)
Current tax for the period		
Hong Kong	695	509
People's Republic of China (the "PRC")		
Enterprise Income Tax	410	29
	1,105	538
Deferred tax for the period	–	(336)
Income tax expense for the periods	1,105	202

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

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 period has been provided at the applicable tax rate of 5%.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

5. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

On 18th November, 2013, the Group entered into a disposal agreement with Metro Star Investments Limited, which is 100% beneficially owned by Mr. Cheung Wah Keung, who is a substantial shareholder, an Executive Director and the Chairman of the Company, to dispose of 100% equity interest in Tai Sing Industrial Company Limited ("TSI Group" or the "Disposal Group"), a subsidiary of the Group, which is engaged in the manufacturing and trading of headphones and speaker systems for a consideration of HK\$122.2 million (the "Disposal"). The Disposal was completed on 28th February, 2014, on which date the Group lost control of the Disposal Group. The Group's headphones and speaker systems manufacturing and trading operations have been treated as discontinued operations and prior period results have been restated accordingly.

The (loss) profit from the discontinued operations for the current and preceding interim periods is analysed as follows:

	Two months ended 28th February, 2014 HK\$'000 (Unaudited)	Six months ended 30th June, 2013 HK\$'000 (Unaudited)
(Loss) profit of discontinued operations for the periods	(2,970)	5,149
Gain on disposal of TSI Group, net of transaction costs	5,267	–
	2,297	5,149

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

5. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

(Continued)

The results of headphones and speaker systems businesses for current and preceding interim periods were as follows:

	Two months ended 28th February, 2014 HK\$'000 (Unaudited)	Six months ended 30th June, 2013 HK\$'000 (Unaudited)
Revenue	83,320	278,227
Cost of Sales	(74,322)	(237,334)
Other income	232	262
Selling and distribution costs	(1,408)	(4,510)
Administrative expenses	(7,177)	(19,729)
Research and development expenses	(3,181)	(6,399)
Impairment loss recognised on trade debtors	–	(3,298)
Other gains and losses	(69)	(2,068)
Finance costs	–	(2)
(Loss) profit before tax	(2,605)	5,149
Income tax expense	(365)	–
(Loss) profit for the period	(2,970)	5,149

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

5. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

(Continued)

The net assets of Disposal Group at the date of disposal were as follows:

	As at 28th February, 2014 HK\$'000
Net assets disposed of (<i>Note</i>)	118,373
Reclassification of cumulative translation reserve	(2,273)
	116,100
Transaction costs directly associated with the disposal	833
Gain on disposal, net of transaction costs	5,267
Total consideration	122,200
Satisfied by:	
Cash	122,200
Net cash inflow arising on disposal:	
Total cash consideration received	122,200
Less: transactions costs paid	(833)
Less: bank balance and cash disposed of	(83,372)
	37,995

Note: Amount due from TSI Group to the Group amounting to approximately HK\$44,390,000 as at 28th February, 2014 was included in the net assets disposed and is repayable by TSI Group within six months from 28th February, 2014.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

5. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

(Continued)

Cash flows for the current and preceding interim period from the discontinued operations were as follows:

	Two months ended 28th February, 2014 HK\$'000	Six month ended 30th June, 2013 HK\$'000
Net cash from operating activities	28,990	33,848
Net cash from (used in) investing activities	1,807	(3,186)
Net cash used in financing activities	–	(15,000)
Net cash flows	30,077	15,662

6. PROFIT (LOSS) FOR THE PERIOD – CONTINUING OPERATIONS

	Six months ended 30th June, 2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited) (Restated)
Profit (loss) for the period from continuing operations has been arrived at after charging (crediting) the following items:		
Depreciation	2,438	2,630
Net foreign exchange gain (loss)	194	(589)
Reversal of write-down of inventories (included in cost of sales)	(43)	(1,368)
Share-based payment expense	–	15
Interest income	(536)	(14)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	6,375	21
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	321,634	321,545

The computation of diluted earnings per share does not assume the exercise of options granted under the share option scheme (*Note 13*) because the exercise price of those options was higher than the average market price for shares for both periods.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

8. EARNINGS (LOSS) PER SHARE (Continued)

From continuing operations

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

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Earning figures are calculated as follow:		
Profit for the period attributable to owners of the Company	6,375	21
Less: Profit for the period from discontinued operations	(2,297)	(5,149)
Profit (loss) for the purposes of basic and diluted earnings per share from continuing operations	4,078	(5,128)

From discontinued operations

Basic and diluted earnings per share from discontinued operations is HK0.71 cent per share (30th June, 2013: HK2.00 cents per share) based on the profit for the period from discontinued operations of approximately HK\$2,297,000 (30th June, 2013: HK\$5,149,000) and the denominators detailed above for both basic and diluted earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately HK\$2,125,000 (six months ended 30th June, 2013: HK\$2,655,000) for acquisition of property, plant and equipment.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

10. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
Trade debtors (<i>Note i</i>)	137,841	128,520
Amount due from TSI Group (<i>Note ii</i>)	48,545	–
Other debtors, deposits and prepayments	5,407	8,833
	191,793	137,353

Notes:

- (i) The Group normally allows a credit period of 30 to 90 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 analysis of trade debtors by age, presented based on the invoice date, which approximated the revenue recognition date. The analysis below does not include those classified as part of a disposal group held for sale. No allowance for doubtful debts has been recognised for both periods.

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
0 to 30 days	39,357	54,600
31 to 60 days	39,864	34,381
61 to 90 days	43,490	38,854
91 to 120 days	7,241	419
Over 120 days	7,889	266
	137,841	128,520

- (ii) Amount due from TSI Group includes trade receivable from sales of finished goods and technical service fee of approximately HK\$5,074,000 (31st December, 2013: HK\$nil) with credit period of 90 days. As 30th June, 2014, majority of the amount is aged less than 90 days. The remaining amount of approximately HK\$43,471,000 (31st December, 2013: HK\$nil) is non-trade nature and is recoverable within six months from 28th February, 2014.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

11. TRADE CREDITORS AND ACCRUED CHARGES

The following is an analysis of the trade creditors by age, presented based on the invoice date. The analysis below does not include those classified as part of a disposal group held for sale.

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
0 to 30 days	31,776	37,986
31 to 60 days	40,370	43,476
61 to 90 days	34,342	30,367
91 to 120 days	21,485	22,234
Over 120 days	3,913	2,347
	131,886	136,410

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31st December, 2013 and 30th June, 2014	500,000,000	5,000
Issued and fully paid:		
At 31st December, 2013	321,545,564	3,215
Issue of shares upon exercise of share options	300,000	3
At 30th June, 2014	321,845,564	3,218

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

13. SHARE OPTIONS SCHEME

On 25th June, 2005, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company to enable the Company to grant options to selected eligible participants as incentives or rewards for their contributions to the Group.

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. The vesting periods and exercisable period of the options granted are determined by the board of directors of the Company at the date of grant and no option may be exercised more than 10 years from the date of grant.

The following table discloses movements of the share options held by directors and employees during the current and prior periods:

For the period from 1st January, 2014 to 30th June, 2014

	Grant date	Exercise price HK\$	Vesting date	Exercisable period	Number of share options			As at 30/06/2014
					As at 01/01/2014	Exercised	Forfeited	
Directors	28/12/2010	0.93	15/01/2012	15/01/2012 – 27/12/2020	1,353,000	(99,000)	(1,056,000)	198,000
			15/01/2013	15/01/2013 – 27/12/2020	1,353,000	(99,000)	(1,056,000)	198,000
			15/01/2014	15/01/2014 – 27/12/2020	1,394,000	(102,000)	(1,088,000)	104,000
					4,100,000	(300,000)	(3,200,000)	600,000
Employees	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)	–

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

13. SHARE OPTIONS SCHEME (Continued)

For the period from 1st January, 2013 to 30th June, 2013

	Grant date	Exercise price HK\$	Vesting date	Exercisable period	Number of share options			
					As at 01/01/2013	Exercised	Forfeited	As at 30/06/2013
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	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

During the current interim period, 3,500,000 share options were forfeited after the vesting period due to the resignation of a director and several employees. When the share options are forfeited after the vesting date, the amount previously charged to profit or loss is transferred to retained profits, with a corresponding adjustment to the share option reserve. During the current interim period, approximately HK\$1,027,000 was credited to retained profits due to forfeiture of share options (30th June, 2013: HK\$nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th June, 2014

14. CAPITAL COMMITMENTS

At 30th June, 2014, the Group had no commitments for capital expenditure (31st December, 2013: HK\$129,000) in respect of acquisitions of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

15. RELATED PARTY TRANSACTION

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

Name of related party	Nature of transaction	Six months ended 30th June,	
		2014 HK\$'000	2013 HK\$'000
Directors and key management	Salaries and other benefits	3,054	4,651
	Retirement benefit schemes contributions	43	77
	Share-based payment expense	–	55
		3,097	4,783
TSI Group (<i>Note</i>)	Technical service income	1,967	–
	Reimbursement of Administrative supporting service expenses	1,510	–
	Sales of goods	9,340	–

Note: The amounts represent transactions with TSI Group after the Disposal. TSI Group was formerly a subsidiary of the Company and now become a related company of the Group.