

# 02 Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Shinhint Acoustic Link Holdings Limited (hereafter the "Group"), I am delighted to present to shareholders the audited annual results of the Group for the year ended 31st December, 2005, the first annual results announcement since the shares of the Group were listed and commenced trading on the Main Board of The Stock Exchange of Hong Kong Limited on 14th July, 2005. The HK\$60,000,000 gross proceeds raised have enabled the Group to enhance our manufacturing capabilities and capacity to meet clients' increasing demands, as well as strengthen our product development capabilities for digital wireless electro-acoustic peripheral products. I would like to take this opportunity to express our gratitude to those who contributed to the listing of the Group and our shareholders who render their invaluable support to the Group. In particular, our special thanks go to our pre-IPO strategic investors, Lucky Merit Holdings Limited and S. I. Technology Venture Capital Limited, who vested their unparalleled trust and confidence in us.



## RESULTS

We look back on 2005 with certain degree of satisfaction, but we are also well aware of our limitations and seek ways for betterment. During the year under review, the Group's turnover climbed strongly by 91.8% from HK\$529,946,000 in 2004 to HK\$1,016,198,000, while net profit grew by 12.7% from HK\$40,315,000 to HK\$45,432,000. The significant growth in turnover was mainly attributable to our strategies of maximizing organic growth of our existing businesses which boosted shipment of the Group's multimedia, communication, and entertainment peripheral products as a result of stronger demand from the existing clients. The growth in net profit was slower than the increase of turnover primarily as a result of change of product mix as well as treatment of accounts under the new accounting policies.

With our financial reserves standing at record high and our future outlook remaining optimistic, the Board recommended the payment of a final dividend of HK cents 2.8 per share, making the total dividend for the year amounting to HK cents 5.3 per share. The overall dividend payout ratio of the Group was approximately 31.2% during the year, or equivalent to a yield of 5.6%.

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### BUSINESS DEVELOPMENT HIGHLIGHTS

During the past year, widespread adoption of digital technology in the lifestyle of consumer across the world have re-shaped the scene of the electro-acoustic peripheral industry. Consumers generally have become more demanding on the functional performance of their electro-acoustic peripherals. In addition, consumers were looking for products which are personal, portable, wearable, and stylish in design to align with their contemporary life style. Foreseeing this trend, the Group together with its customers had developed products which are user friendly, robust, high fidelity, and with contemporary appeal for consumers. These new products were welcome by the end users and thus brought accelerating sales growth for the Group.

Meanwhile, the Group made good progress in implementing the business plan outlined in the Prospectus. The Group established a research centre in Shenzhen, the PRC and further strengthened the R&D team by recruiting high caliber engineering experts to re-enforce our product design and development capabilities, particularly in relation to digital wireless electro-acoustic peripheral products. We also broadened our product range and facilitated cross-device application of our products.

On the operational side, the Group expanded the manufacturing facilities from 40 production lines as of 31st December, 2004 to 54 production lines by the end of year 2005, in order to fulfill the increased customer orders. Apart from investing in machineries and equipment to enlarge the production capacity, the Group also updated the management information system to enhance resources planning, material control and production management processes. The above initiatives have improved the overall operational efficiency and benefited the Group with greater economies of scale.

### PROSPECTS

Looking into the future, with the definitive move towards digital broadcasting across the globe and break-through in digital technology, the Group expects the electro-acoustic peripheral market to continue to prosper and present it with even more business opportunities in the coming year. The Group has mapped out clear strategic directions to capture these new market potential.

With a dynamic team armed with ample relevant expertise and experience, we expect to continue to secure new contracts and develop new products with our existing customers. While the US will continue to be our major market, we will boost our presence in Asia and the European markets by extending our sales networks and setting up overseas sales offices.

The Group will continue to concentrate on enhancing our R&D capabilities to answer end-users' ever-changing demand for quality multimedia, communication, and entertainment peripherals, and to facilitate formulation of various technical and design solutions. We will further strengthen our leading position in the industry with the support of our vertically integrated production, strong manufacturing capabilities and superior engineering expertise. With an aim to enhance our revenue base and profitability in future, we hope to bring more value to our shareholders, and we treasure the unwavering support our staff, customers and business partners have extended to the Group.

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Last but not least, I am delighted and honoured to be selected as one of the winners of the Young Industrialists Awards of Hongkong in 2005. This award would not be possible without the team efforts of all at the Shinhint Group which made our business a success. Instead of regarding it as a self-recognition, I have been treating this award as a continuous reminder for myself to continue with my commitment to promoting the development of Hong Kong's industries.

**Cheung Wah Keung**

*Chairman of the Board*

21st April, 2006