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## SHINHINT ACOUSTIC LINK HOLDINGS LIMITED

成謙聲匯控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

The board of directors (the “Board”) of Shinhint Acoustic Link Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2010 together with the comparative figures for the corresponding period in 2009.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2010

		<b>Six months ended 30th June,</b>	
	<i>NOTES</i>	<b>2010</b>	2009
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	3	<b>505,144</b>	451,005
Cost of sales		<u><b>(443,728)</b></u>	<u>(396,719)</u>
Gross profit		<b>61,416</b>	54,286
Other income		<b>800</b>	318
Selling and distribution costs		<b>(9,301)</b>	(8,220)
Administrative expenses		<b>(38,968)</b>	(33,385)
Research and development expenses		<b>(7,824)</b>	(6,194)
Other gains and losses		<b>399</b>	(4,720)
Finance costs		<u><b>(4)</b></u>	<u>(25)</u>
Profit before taxation	5	<b>6,518</b>	2,060
Taxation	6	<u><b>(1,346)</b></u>	<u>(896)</u>
Profit for the period		<u><b>5,172</b></u>	<u>1,164</u>
Profit for the period attributable to:			
- Owners of the Company		<b>5,172</b>	3,370
- Non-controlling interests		<b>-</b>	(2,206)
		<u><b>5,172</b></u>	<u>1,164</u>
Earnings per share	8	<b>HK cents</b>	HK cents
- Basic		<u><b>1.61</b></u>	<u>1.05</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>5,172</u>	<u>1,164</u>
Other comprehensive income		
Exchange differences arising on translation of foreign operations	<u>280</u>	<u>4</u>
Other comprehensive income for the period	<u>280</u>	<u>4</u>
Total comprehensive income for the period	<u>5,452</u>	<u>1,168</u>
Total comprehensive income attributable to:		
- Owners of the Company	5,452	3,374
- Non-controlling interests	-	(2,206)
	<u>5,452</u>	<u>1,168</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

	<b>30th June, 2010</b>	31st December, 2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>		
Property, plant and equipment	61,770	66,644
Intangible assets	978	978
Rental deposits	591	589
Deposits for acquisition of property, plant and equipment	<u>2,227</u>	<u>401</u>
	<u>65,566</u>	<u>68,612</u>
<b>Current assets</b>		
Inventories	100,670	77,856
Trade debtors, deposits and prepayments	295,475	297,965
Bank balances and cash	<u>147,964</u>	<u>143,835</u>
	<u>544,109</u>	<u>519,656</u>
<b>Current liabilities</b>		
Trade creditors and accrued charges	255,767	222,327
Tax liabilities	1,427	183
Obligations under finance leases - due within one year	-	44
Bank borrowings - due within one year	<u>21,000</u>	<u>20,000</u>
	<u>278,194</u>	<u>242,554</u>
<b>Net current assets</b>	<u>265,915</u>	<u>277,102</u>
<b>Total assets less current liabilities</b>	<u>331,481</u>	<u>345,714</u>
<b>Capital and reserves</b>		
Share capital	3,215	3,215
Reserves	<u>324,963</u>	<u>339,125</u>
Equity attributable to owners of the Company	328,178	342,340
Non-controlling interests	-	-
Total equity	<u>328,178</u>	<u>342,340</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	<u>3,303</u>	<u>3,374</u>
	<u>3,303</u>	<u>3,374</u>
<b>Total equity and liabilities</b>	<u>331,481</u>	<u>345,714</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1st January, 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-Based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The adoption of other new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

## 2. PRINCIPAL ACCOUNTING POLICIES - Continued

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
HKAS 32 (Amendment)	Classification of Right Issues <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>2</sup>
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>3</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2010

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2013

The directors of the Company are in the process of assessing the potential impact of the new or revised standards, amendments or interpretations and so far anticipate that the application of these new or revised standards, amendments or interpretations will have no material financial impact on the results and the financial position of the Group.

## 3. REVENUE

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

## 4. SEGMENTAL INFORMATION

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 reportable segments which are sales of communication peripheral, portable audio, desktop audio and speaker drivers. The Group's reportable segments are as follows:

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

In addition, others include miscellaneous parts and accessories.

4. SEGMENTAL INFORMATION - Continued

The analysis of the Group's revenue and results by reportable segment for the period under review is set out below.

Six months ended 30th June, 2010

	Communication peripheral HK\$'000	Portable audio HK\$'000	Desktop audio HK\$'000	Speaker drivers HK\$'000	Others HK\$'000	Total HK\$'000
<b>REVENUE</b>						
External sales	<u>85,888</u>	<u>201,058</u>	<u>81,019</u>	<u>120,599</u>	<u>16,580</u>	<u>505,144</u>
<b>RESULT</b>						
Segment result	<u>3,577</u>	<u>170</u>	<u>(1,179)</u>	<u>4,362</u>	<u>150</u>	7,080
Unallocated other income						800
Unallocated expenses						(1,358)
Finance costs						(4)
<b>Profit before taxation</b>						<b>6,518</b>
Taxation						(1,346)
<b>Profit for the period</b>						<b>5,172</b>

Six months ended 30th June, 2009

	Communication peripheral HK\$'000	Portable audio HK\$'000	Desktop audio HK\$'000	Speaker drivers HK\$'000	Others HK\$'000	Total HK\$'000
<b>REVENUE</b>						
External sales	<u>57,111</u>	<u>243,846</u>	<u>82,051</u>	<u>54,871</u>	<u>13,126</u>	<u>451,005</u>
<b>RESULT</b>						
Segment result	<u>5,270</u>	<u>(3,734)</u>	<u>(847)</u>	<u>2,070</u>	<u>106</u>	2,865
Unallocated other income						318
Unallocated expenses						(1,098)
Finance costs						(25)
<b>Profit before taxation</b>						<b>2,060</b>
Taxation						(896)
<b>Profit for the period</b>						<b>1,164</b>

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

5. PROFIT BEFORE TAXATION

**Six months ended 30th June,**  
**2010**                      2009  
**HK\$'000**                      **HK\$'000**

Profit before taxation has been arrived at after charging (crediting):

Depreciation	<b>8,830</b>	10,123
Amortisation of intangible assets (included in cost of sales)	-	449
Impairment loss recognised in respect of intangible assets (included in other gains and losses)	-	4,944
Loss on disposal of property, plant and equipment	<b>315</b>	352
Write down of inventories (included in cost of sales)	<b>1,248</b>	1,185
Interest income	<u>(254)</u>	<u>(70)</u>

6. TAXATION

	<b>Six months ended 30th June,</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Current tax for the period		
Hong Kong	827	1,396
PRC Enterprise Income Tax	590	-
	<u>1,417</u>	<u>1,396</u>
Deferred tax for the period	<u>(71)</u>	<u>(500)</u>
	<u>1,346</u>	<u>896</u>

7. DIVIDENDS

	<b>Six months ended 30th June,</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Dividend recognised as distribution during the period:		
Final dividend paid in respect of dividend declared for 2009 of HK4.3 cents (2009: HK4.3 cents in respect of dividend declared for 2008) per share	13,826	13,859
Special dividend paid in respect of dividend declared for 2009 of HK1.8 cents (2009: nil) per share	5,788	-
	<u>19,614</u>	<u>13,859</u>

The directors have determined that an interim dividend of HK1.2 cents per share (six months ended 30th June, 2009: HK1.2 cents per share) should be paid to the shareholders of the Company whose names appear in the register of members on 10th September, 2010.

8. EARNINGS PER SHARE

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

	<b>Six months ended 30th June,</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<u>5,172</u>	<u>3,370</u>
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>321,545</u>	<u>322,294</u>

No diluted earnings per share is presented for both periods because there is no potential ordinary shares outstanding throughout both periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

As the worldwide economy recovers at a slow pace, the Group was maintaining a steady performance during the period under review. For the six months ended 30th June, 2010, the Group reported a turnover of HK\$505,144,000, which represented an increase of 12% over the corresponding period of last year (2009 Interim: HK\$451,005,000). The improvement reflects the positive result of its strategic efforts in strengthening the Original Design Manufacturer (“ODM”) capability and expanding the customer base.

The gross profit of the Group improved by 13% to HK\$61,416,000 for the period under review (2009 Interim: HK\$54,286,000). The increase in gross profit was mainly attributable to the Group’s efforts in strengthening the effective cost control measures and the tight management of material costs. However, the positive result was partly offset by the increased labour wages in the People’s Republic of China (the “PRC”), which has directly affected the operating costs. The Group has managed to achieve a net profit attributable to owners of the Company of HK\$5,172,000 (2009 Interim: HK\$3,370,000). Moreover, the Group continues to maintain a solid financial position, generating a healthy cash inflow, with net cash and cash equivalents at HK\$126,964,000, a similar level to 31st December, 2009.

During the review period, the speaker drivers business registered an encouraging performance with the turnover reaching HK\$120,599,000, representing a year-on-year growth of 120% (2009 Interim: HK\$54,871,000). The strong demand in flat panel TVs has brought a significant number of orders for speaker drivers to the Group, while there was also an uptrend in the inflow of orders from the automotive market. New products with proprietary technology in this segment were one of the key income drivers which brought profitability to the Group.

The increased number of customers and high-end Bluetooth products in the communication peripheral segment have led to a substantial growth in its turnover of 50%, an increase to HK\$85,888,000 (2009 Interim: HK\$57,111,000). Several innovative new wireless products in this segment have commenced production in the period under review.

The portable audio business was seeing a consolidation period and the increasing price pressure has led to a turnover decrease of 18% to HK\$201,058,000 (2009 Interim: HK\$243,846,000). However, with the recovering economy and the positive growth of portable devices, such as portable computers and smart phones, the Group’s investment in new products with higher technological content shall help regain growth momentum for this segment. Along with the Group’s strategic move of scaling down production in the desktop audio business, the segmental turnover reduced to HK\$81,019,000 (2009 Interim: HK\$82,051,000).



## **Financial Review**

### *Liquidity and Financial Resources*

As at 30th June, 2010, the Group's net current assets were HK\$265,915,000 (31st December, 2009: HK\$277,102,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.0 as compared to 2.1 at last year end.

As at 30th June, 2010, the Group maintained a healthy cash level with net cash and cash equivalents of HK\$126,964,000 (31st December, 2009: HK\$123,835,000) and unutilized banking facilities of HK\$59,560,000 (31st December, 2009: HK\$35,000,000). The Group had bank borrowings of HK\$21,000,000 (31st December, 2009: HK\$20,000,000) which represented a 5% increase of HK\$1,000,000 over last year end.

The gearing ratio of the Group increased to 6.4% from 5.8% as at 31st December, 2009. The ratio is computed by dividing total borrowings of HK\$21,000,000 (2009: HK\$20,000,000) by shareholders' equity of HK\$328,178,000 (2009: HK\$342,340,000).

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

### *Treasury Policies*

The Group does not engage in any leveraged or derivative products. Consistent with this prudent approach to financial risk management, the Group has continued to work towards maintaining a comfortable gearing position. Since the Group's sales and raw material purchases are conducted in 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, 2010, the Group had no material contingent liabilities.

### *Human Resources*

As at 30th June, 2010, the Group employed a total of approximately 5,400 employees (30th June, 2009: 4,300) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$71,435,000 (30th June, 2009: HK\$56,726,000). The Group recruits and selects applicants for employment on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position. The Group continues to offer competitive remuneration package and bonuses to eligible staff, based on the performance of the Group and the individual employee.

## **Prospects**

With some signs of recovery from the global economic downturn, the Group's turnover was able to maintain a stable and healthy position. The Group remains cautiously optimistic about the market outlook, and will continue to execute the set development strategies in the second half of the financial year. However, the impact of the mandatory labour cost increase in the PRC and the rising demand for electronics components must be fully appreciated at the same time. Therefore, the Group is determined to further diversify its product portfolio and to expand its customer base for broadening the income stream and therefore increasing the total turnover.

For tapping the market demand, the Group shall invest more resources in the research and development of high-end products. The two focuses are firstly, the application of Bluetooth technology on communication and portable audio peripherals, which include headsets and speaker systems and; secondly, speaker drivers for flat panel TV and automotive. The Group is dedicated to adding more value into its products for the enhancement of marketability and profitability. With the strengthened and proven ODM capability and the expanding customer base, despite of the macro trend of increasing operating cost in the PRC, the Group is committed to generating long term value to its employees, customers and shareholders.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK1.2 cents per share for the six months ended 30th June, 2010 (2009 interim dividend: HK1.2 cents). The interim dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on 10th September, 2010. It is expected that the interim dividend will be paid on or about 17th September, 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 8th September, 2010 to Friday, 10th September, 2010 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, 7th September, 2010.

## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance Practices**

The Company has, throughout the six months ended 30th June, 2010, applied and complied with the principles in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules.

## **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. 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, 2010.

## **Audit Committee**

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

The interim results of the Group for the six months ended 30th June, 2010 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, 2010.

## **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.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their patronage.

By order of the Board  
**Cheung Wah Keung**  
*Chairman*

Hong Kong, 20th August, 2010

*As at the date of this announcement, the Company has two Executive Directors, namely Mr. Cheung Wah Keung (Chairman) and Mr. Wong Sau Lik, Weekly Peter and three Independent Non-Executive Directors, namely Mr. Lai Ming, Joseph, Dr. Lam King Sun, Frankie and Mr. Goh Gen Cheung.*