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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)

### FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the “Board”) of Shinhint Acoustic Link Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2012 as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2012

	NOTES	2012 HK\$'000	2011 HK\$'000
Revenue	3	<b>1,111,386</b>	1,150,524
Cost of sales		<b>(1,007,179)</b>	(1,071,315)
Gross profit		<b>104,207</b>	79,209
Other income	4	<b>944</b>	1,385
Selling and distribution costs		<b>(19,558)</b>	(17,613)
Administrative expenses		<b>(68,418)</b>	(78,294)
Research and development expenses		<b>(20,223)</b>	(25,294)
Impairment loss recognised on trade debtors		<b>(26,175)</b>	-
Other (losses) and gains		<b>(1,589)</b>	2,229
Finance costs	5	<b>(555)</b>	(7)
Loss before taxation	6	<b>(31,367)</b>	(38,385)
Taxation	7	<b>(2,031)</b>	2,395
Loss for the year attributable to owners of the Company		<b>(33,398)</b>	(35,990)
Loss per share	9		
Basic (HK dollar)		<b>(0.10)</b>	(0.11)
Diluted (HK dollar)		<b>(0.10)</b>	(0.11)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December, 2012*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	NOTES	2012 HK\$'000	2011 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		62,370	77,806
Intangible assets		978	978
Rental deposits		1,028	991
Deposits for acquisition of property, plant and equipment		1,518	637
		<u>65,894</u>	<u>80,412</u>
<b>Current Assets</b>			
Inventories		104,909	134,828
Trade debtors, deposits and prepayments	10	352,433	400,724
Tax recoverable		1,856	1,860
Bank balances and cash		87,421	87,099
		<u>546,619</u>	<u>624,511</u>
<b>Current Liabilities</b>			
Trade creditors and accrued charges	11	340,356	384,727
Tax liabilities		847	682
Bank borrowings - due within one year		15,000	30,000
		<u>356,203</u>	<u>415,409</u>
<b>Net Current Assets</b>		<u>190,416</u>	<u>209,102</u>
<b>Total Assets less Current Liabilities</b>		<u>256,310</u>	<u>289,514</u>
<b>Capital and Reserves</b>			
Share capital	12	3,215	3,215
Reserves		252,359	285,720
<b>Total Equity</b>		255,574	288,935
<b>Non-current Liability</b>			
Deferred tax liability		736	579
		<u>256,310</u>	<u>289,514</u>

## Notes

### 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 (the “Stock Exchange”). 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 Group and are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

### 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; and
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.

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

### *New and revised HKFRSs issued but not yet effective – continued*

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

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2015

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2012

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2014

#### 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 1 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 (the "Directors") 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. 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.

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

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	<u>4,466</u>	<u>7,676</u>	<u>3,431</u>	<u>2,354</u>	<u>2,296</u>	<u>20,223</u>

2011

	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>153,368</u>	<u>383,723</u>	<u>95,889</u>	<u>443,864</u>	<u>73,680</u>	<u>1,150,524</u>
<b>RESULT</b>						
Segment result	<u>(3,024)</u>	<u>(23,248)</u>	<u>(11,001)</u>	<u>5,704</u>	<u>(7,806)</u>	(39,375)
Unallocated other income						3,161
Unallocated administrative expenses						(2,164)
Finance costs						<u>(7)</u>
Loss before taxation						(38,385)
Taxation						<u>2,395</u>
Loss for the year						<u>(35,990)</u>

## Other information

	Communication <u>peripheral</u> HK\$'000	Portable <u>audio</u> HK\$'000	Desktop <u>audio</u> HK\$'000	Speaker <u>drivers</u> HK\$'000	<u>Others</u> HK\$'000	<u>Total</u> 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 on other debtors	-	(314)	-	-	-	(314)
Research and development expenses	<u>4,949</u>	<u>12,432</u>	<u>3,106</u>	<u>2,420</u>	<u>2,387</u>	<u>25,294</u>

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		Non-current assets	
	<u>Year ended</u>			
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2010 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	<u>191,506</u>	<u>133,452</u>	<u>-</u>	<u>-</u>
	<u>1,111,386</u>	<u>1,150,524</u>	<u>65,894</u>	<u>80,412</u>

## 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 HK\$'000	2011 HK\$'000
Customer A <sup>1</sup>	325,105	377,669
Customer B <sup>2</sup>	264,488	366,454
Customer C <sup>2</sup>	126,043	N/A <sup>3</sup>

<sup>1</sup> Revenue from speaker drivers business

<sup>2</sup> Revenue from communication peripheral, portable audio and desktop audio business

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total sales of the Group

#### 4. OTHER INCOME

	2012 HK\$'000	2011 HK\$'000
Bank interest income	462	1,182
Sundry income	482	203
	<u>944</u>	<u>1,385</u>

#### 5. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>555</u>	<u>7</u>

#### 6. 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: 734,000) and retirement benefit scheme contributions of HK\$28,000 (2011: HK\$24,000))	4,687	5,083
Retirement benefit scheme contributions	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	<u>194,222</u>	<u>194,007</u>
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)	<u>(14)</u>	<u>(135)</u>

## 7. 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
	<u>1,692</u>	<u>1,051</u>
(Over)underprovision in prior years		
Hong Kong	(70)	(82)
PRC Enterprise Income Tax	252	(770)
	<u>182</u>	<u>(852)</u>
Deferred taxation		
Current year	157	(2,594)
	<u>2,031</u>	<u>(2,395)</u>

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%.

## 8. 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).

## 9. 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
<u>Loss</u>		
Loss for the purpose of basic and diluted loss per share		
Loss for the year	<u>33,398</u>	<u>35,990</u>
	'000	'000
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic and diluted loss per share	<u>321,545</u>	<u>321,545</u>

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.

## 10. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	2012 HK\$'000	2011 HK\$'000
Trade debtors	352,179	371,647
Less: Allowance for doubtful debts	<u>(26,175)</u>	<u>-</u>
	<b>326,004</b>	<b>371,647</b>
Other debtors, deposits and prepayments	<u>26,429</u>	<u>29,077</u>
	<b><u>352,433</u></b>	<b><u>400,724</u></b>

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 extended 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 debt) presented based on the invoice date 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	<u>5,975</u>	<u>9,319</u>
	<b><u>326,004</u></b>	<b><u>371,647</u></b>

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 considers the amounts are recoverable, therefore, no impairment loss is considered necessary. The Group does not hold any collateral over these balances. 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.

## 11. 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 HK\$'000	2011 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	<u>17,141</u>	<u>28,508</u>
	<b>281,927</b>	<b>324,771</b>
Accrued charges	<u>58,429</u>	<u>59,956</u>
	<b><u>340,356</u></b>	<b><u>384,727</u></b>

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.

**12. SHARE CAPITAL**

	<u>Number of shares</u>	<u>Amount HK\$'000</u>
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	<u>500,000,000</u>	<u>5,000</u>
Issued and fully paid:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	<u>321,545,564</u>	<u>3,215</u>

## 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.

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.

### **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.

#### **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.

#### **DIVIDEND**

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

#### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 14th May, 2013 to Thursday, 16th May, 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the annual general meeting, 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, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 13th May, 2013.

#### **COMPLIANCE WITH THE CODE ON 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 1 April 2012 (collectively, the "Code"). The Company has complied with the code provisions of the Code throughout the year ended 31 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. 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.

### **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.

### **REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31st December, 2012.

### **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2012 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

### **ACKNOWLEDGEMENT**

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.

By Order of the Board  
**Shinhint Acoustic Link Holdings Limited**  
**Cheung Wah Keung**  
*Chairman*

Hong Kong, 22nd March, 2013

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