



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 Report 2006

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Cheung Wah Keung
(Chairman of the Board)
Mr. Ip Wai Cheong, Ernest
Mr. Wang Dong

Independent Non-Executive Directors

Mr. Lai Ming, Joseph
Dr. Lam King Sun, Frankie
Mr. Goh Gen Cheung

Audit Committee

Mr. Lai Ming, Joseph
(Committee Chairman)
Dr. Lam King Sun, Frankie
Mr. Goh Gen Cheung

Remuneration Committee

Mr. Cheung Wah Keung
(Committee Chairman)
Mr. Lai Ming, Joseph
Dr. Lam King Sun, Frankie
Mr. Goh Gen Cheung

Authorized Representatives

Mr. Cheung Wah Keung
Mr. Ip Wai Cheong, Ernest

Qualified Accountant

Mr. Chan Wing Hang

Company Secretary

Mr. Chan Wing Hang

Auditors

Deloitte Touche Tohmatsu

Registered Office

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

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

Butterfield Bank (Cayman) Limited
Butterfield House, 68 Fort Street,
P.O. Box 705, George Town,
Grand Cayman, Cayman Islands,
British West Indies

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

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

Legal Advisers

Cheng Wong Lam & Partners
Johnson Stokes & Master
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'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th June 2006, the Group reported a turnover of HK\$465,349,000 which represented an increase of 53.2% over the corresponding period of the previous year. The growth in turnover was a result of strong demand for products in the communication, entertainment, and multi-media product segments.

Gross profit of the Group registered an increase of 43.5%, from HK\$37,800,000 to HK\$54,245,000 albeit escalation of material and labour cost during the period concerned. Most of the negative impacts from appreciation of RMB by 1.0%, increase in minimum labour wage by 27.5% as well as cost of raw materials such as plastic resin by 8.0% and copper by 114.0% were offset by significant gains made on production and supply chain efficiency. In addition, the latest costs have been reflected in the selling prices of new models developed during the year.

Profit attributable to shareholders decreased from HK\$8,328,000 to HK\$7,872,000, is primarily due to taking up of a one-time loss of HK\$3,944,000 on disposal of interest in Guangzhou Prosonic-Guoguang Speaker System Co. Ltd (the "GZP") in the 2nd quarter of 2006. GZP is a Sino-foreign equity joint venture, which engages in manufacturing of home audio products, it posted a loss of HK\$14,503,000 in 2005. As a result, the Group decided to dispose the 20.0% interest in the company to its major shareholders.

Multi-media Products (the "MM") remained the biggest business segment, which accounted for 44.0% of Group turnover. Shipment of MM increased by 24.0% during the period as market demand for portable personal devices continued to surge. Shipment of Entertainment Products (the "EP"), registered the most impressive growth of 272.6% over the same period of 2005, reflecting consumers' willingness to pay a higher price in return for quality, it accounted for 31.6% of Group turnover. Shipment of Communication Products (the "CP") plateaued after the pipeline filling following launch of several new models in the second half of last year. Shipment of Audio Product (the "AD") further declined as a result of the Group's strategy to focus on high-end models in this mature segment.

PROSPECT

Outlook for personal multi-media products for communication, entertainment, and gaming remains bullish, thus demand for the electro-acoustic peripherals is expected to grow at a high rate in the foreseeable future. Products which are stylish, trendy, and can deliver functional performance exceeding consumers' expectation will continue to capture market shares and command a market premium. The Group is expected to benefit from this positive market trend by closely collaborating with its customers most of whom are trend setters in their respective industry. On the other hand, the home audio segment will get even more competitive, thus, the Group will remain selective in pursuing business opportunities in this particular segment.

The Group will continue to embark on its long term strategy of allying with industry leaders by providing comprehensive engineering and manufacturing services, and has extended its service scope to support product development initiatives from initial product concept phase, including offering proprietary acoustic, electronic, and mechanical solutions, as well as ODM products with stylish design and fully qualified for sale around the globe. In June 2006, the Group has entered into strategic alliance with NXT plc, an acoustic technology company listed on the London Stock Exchange renowned for its innovation in flat panel speakers, to jointly develop speaker systems under the Balance Radiator (the "BR") technology. The BR technology is a proprietary technology which NXT plc has spent more than 10 years to develop and perfect. It allows a single driver unit to deliver full frequency response, thus, offers a high quality acoustic performance within a limited space. It enhances the functional performance and portability of the speaker system, as well as lowers the product cost. Moreover, the Group has also developed proprietary digital wireless solutions for apply in various multi-media devices.

The Group has successfully broadened its customer base during the period concerned. New customers of the Group include industry leaders in Japan, Europe, and the USA. The management will continue to devote its efforts to broaden the customer base in different regions to capture the business opportunities in the fast expanding personal multi-media market globally.

Operating conditions for the second half of the year is expected to remain challenging. The exchange rate of RMB is likely to further strengthen against the US dollar, the price of raw material will maintain at a high level, and a significant increase in labour cost is foreseen as the new minimum labour wage regulation in Dongguan City comes into effect in September 2006. Nevertheless, the management expects most of these costs impacts could be neutralised by its vigilance control on the operating costs, and gains in operation and supply chain efficiency during the peak shipment seasons. On the other hand, the Group will continue to invest in people, proprietary technical solutions, research and development, and in advance manufacturing technology, all of which are considered essential to our success in the long term.

FINANCIAL REVIEW

RESULTS ANALYSIS

Turnover for the six months to 30th June, 2006 was HK\$465,349,000, an increase of HK\$161,584,000 or 53.2% when compared to the same period last year. Gross profit increased by 43.5% to HK\$54,245,000 (2005: HK\$37,800,000), while the gross profit margin was 11.7% (2005: 12.4%). Profit attributable to equity holders of the parent was HK\$7,872,000, a decrease of HK\$456,000 or 5.5%, with margin of 1.7% (2005: 2.7%). Basic earnings per share was at HK2.6 cents compared with HK3.7 cents in the comparable period last year, after having accounted for the effect of initial public offering of 300 million new shares on the 14th July, 2005.

On 24th March, 2006, Shinhint announced a proposed disposal of interest in an associate, the reduction in profit was primarily the result of the one-off loss on the disposal amounted to HK\$3,944,000 incurred in the 2nd quarter of the year. Excluding the one-off loss incurred, the profit attributable to equity holders of the parent would have been HK\$11,816,000, an increase of HK\$3,488,000 or 41.9% when compared to the same period last year. Administrative expenses were HK\$32,596,000 (2005: HK\$19,521,000), the increase was mainly due to the Group's strategic direction to invest in R&D competence to capture the forth coming business opportunities, as well as strengthening of the project, engineering and on factory management team to capture arising shipment requirements. The Group will remain focused on improving the cost efficiencies of various operations. Interest expenses for the period stood at 0.3% of Group turnover as the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's working capital continued to improve. Net current assets were at HK\$170,088,000 as compared to HK\$95,417,000 as at 30th June, 2005 and HK\$165,919,000 as at 31st December, 2005. Current ratio was at 1.8 as compared to 1.5 in the comparable period last year and 1.4 at last year end.

Net cash balances at the period-end were HK\$65,653,000 (31st December, 2005: HK\$71,736,000 & 30th June, 2005: HK\$57,088,000). The Group's banking facilities was maintained at HK\$55,000,000, of which HK\$37,609,000 (31st December, 2005: HK\$45,957,000) was utilised. The net gearing, expressed as a percentage of total borrowings to equity attributable to shareholders of the Company was at 16.8%, very much improved from 20.4% at year end 2005. The gearing ratio is expected to further improve when the Group enters the peak shipping period in the second half of the year which will generate significant revenue.

Our strong net assets and low gearing ratios mean that the Group is well positioned to take advantage of future business opportunities.

The ratio EBIT (earnings before interest and tax) to interest is our primary interest cover measure and was maintained at a healthy level of 6.3 times.

Stocks at the period end amounted to HK\$132,828,000 (31st December, 2005: HK\$173,492,000 & 30th June, 2005: HK\$58,003,000) were in preparation for the peak shipment period in the second half year. Trade debtors were at HK\$171,794,000 (31st December, 2005: HK\$313,864,000 & 30th June, 2005: HK\$131,773,000). As shipment increases in the peak seasons, trade debtors are expected to increase in the coming months.

As a majority of the Group's revenues are in US dollars, the Group continues to maintain a conservative loan portfolio that will minimise the currency risk and interest rate risk exposure. The Group is in a comfortable financial position to support its long-term growth.

Capital expenditure for the period totalled HK\$7,419,000 reflecting the use of proceed from public listing to enhance Group's manufacturing capabilities and product development capability, while depreciation charges amounted to HK\$7,646,000, in line with the Group's guidelines.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 30th June, 2006, total capital commitment amounts to HK\$388,000 compared to HK\$2,797,000 as at 31st December, 2005.

There were no contingent liabilities at 30th June, 2006.

CHARGES

As at 30th June, 2006, bank deposits of approximately HK\$4,925,000 were pledged for the Group's banking facilities.

HUMAN RESOURCES

The Group employed a total of 4,100 employees (30th June, 2005: 3,600 employees) in Hong Kong, PRC and overseas. The increase was mainly due to strengthening of the management team, opening of the R&D centre in Shenzhen, as well as expansion of the production team to fulfill increased shipment requirements.

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.

INTERIM DIVIDEND

The Directors recommend an interim dividend of HK 1.5 cents per share (2005 interim dividend: HK 2.5 cents). The interim dividend will be paid to shareholders listed on the register of members of the Company on 6th October, 2006. It is expected that the interim dividend will be paid on or about 18th October, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 4th October, 2006 to Friday, 6th October, 2006 (both days 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 Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716 Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Tuesday, 3rd October, 2006.

INDEPENDENT REVIEW REPORT



TO THE BOARD OF DIRECTORS OF SHINHINT ACOUSTIC LINK HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 10 to 21.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, 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.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2006.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15th September, 2006

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

		Six months ended 30th June,	
	NOTES	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Turnover	5	465,349	303,765
Cost of sales		(411,104)	(265,965)
Gross profit		54,245	37,800
Other income		1,464	636
Distribution costs		(8,679)	(6,631)
Administrative expenses		(32,596)	(19,521)
Share of result of an associate		–	(1,651)
Loss on disposal of an associate		(3,944)	–
Finance costs		(1,506)	(789)
Profit before tax	7	8,984	9,844
Income tax expense	8	(1,112)	(1,513)
Profit for the period		7,872	8,331
Attributable to:			
Equity holders of the parent		7,872	8,328
Minority interests		–	3
		7,872	8,331
Dividends	9	8,495	–
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	10		
– Basic		2.60	3.70
– Diluted		2.59	3.66

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2006

	NOTES	30th June, 2006 HK\$'000 (unaudited)	31st December, 2005 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	56,838	57,085
Investment in an associate		–	5,874
Club membership		978	978
Pledged bank deposits		3,170	3,116
		60,986	67,053
Current assets			
Inventories		132,828	173,492
Trade debtors, deposits and prepayments	12	186,767	335,261
Pledged bank deposits		1,755	6,761
Bank balances and cash		65,653	71,736
		387,003	587,250
Current liabilities			
Trade creditors and accrued charges	13	166,443	354,262
Bills payable	14	9,681	2,752
Amount due to a related company	15	641	16,179
Taxation		5,388	5,290
Obligations under finance leases – due within one year		323	1,345
Bank borrowings – due within one year	16	34,439	41,503
		216,915	421,331
Net current assets		170,088	165,919
Total assets less current liabilities		231,074	232,972
Capital and reserves			
Share capital	17	3,034	3,000
Reserves		221,323	221,809
Total equity		224,357	224,809
Non-current liabilities			
Obligations under finance leases – due after one year		–	108
Bank borrowings – due after one year	16	3,170	4,454
Deferred taxation		3,547	3,601
		6,717	8,163
		231,074	232,972

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total equity attributable to equity holders of the parent HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January, 2005	5,000	-	-	185	-	104,418	109,603	980	110,583
Profit for the period and total recognised income for the period	-	-	-	-	-	8,328	8,328	3	8,331
Effect on capital structure of group reorganisation	(4,950)	-	4,950	-	-	-	-	-	-
Issue of shares at premium	9	23,391	-	-	-	-	23,400	-	23,400
Issue of shares on capitalisation of share premium account	2,191	(2,191)	-	-	-	-	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	416	-	416	-	416
At 30th June, 2005	2,250	21,200	4,950	185	416	112,746	141,747	983	142,730
At 1st January, 2006	3,000	72,295	4,950	295	1,919	142,350	224,809	-	224,809
Exchange differences on translation of foreign operations recognised directly in equity	-	-	-	31	-	-	31	-	31
Profit for the period	-	-	-	-	-	7,872	7,872	-	7,872
Total recognised income for the period	-	-	-	31	-	7,872	7,903	-	7,903
Recognition of equity-settled share based payments	-	-	-	-	106	-	106	-	106
Exercise of share options	34	2,025	-	-	(2,025)	-	34	-	34
Dividend paid	-	-	-	-	-	(8,495)	(8,495)	-	(8,495)
At 30th June, 2006	3,034	74,320	4,950	326	-	141,727	224,357	-	224,357

Note: Special reserve represents the difference between the nominal value of the entire issued share capital of Shinhint Industries Limited and the aggregate nominal value of the shares issued by the Company pursuant to a group reorganisation completed in 2005.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	Six months ended 30th June,	
	2006 <i>HK\$'000</i> (unaudited)	2005 <i>HK\$'000</i> (unaudited)
Net cash from operating activities	11,316	6,303
Net cash from (used in) investing activities	508	(2,372)
Financing activities		
Proceeds on issue of shares	34	23,400
New bank loans raised	53,416	24,392
Repayment of bank loans	(61,764)	(26,392)
Repayment of obligations under finance leases	(1,130)	(1,342)
Dividends paid	(8,495)	(17,000)
Net cash (used in) from financing activities	(17,939)	3,058
Net (decrease) increase in cash and cash equivalents	(6,115)	6,989
Cash and cash equivalents at beginning of the period	71,736	50,099
Effect of foreign exchange rate changes	32	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	65,653	57,088

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). The Company's parent and ultimate holding company is Pro Partner Developments Limited (incorporated in the British Virgin Islands).

2. BASIS OF PREPARATION

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on SEHK, the Company issued shares in exchange for the entire issued share capital of Shinhint Industries Limited and thereby became the holding company of the Group on 11th May, 2005. Details of the Group Reorganisation are set out in the prospectus dated 30th June, 2005 issued by the Company. The shares of the Company have been listed on SEHK with effect from 14th July, 2005.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements for the six months ended 30th June, 2005 had been prepared using the principles of merger accounting.

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 SEHK and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

3. 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, 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The application of the new HKFRSs had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

4. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies” ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

5. TURNOVER

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

6. SEGMENTAL INFORMATION

The Group is currently organised into five revenue streams – sale of communication products, multi-media products, entertainment products, audio products and others. These revenue streams are the basis on which the Group reports its primary segment information.

The Group's turnover and profit for the six months ended 30th June, 2006 and for the six months ended 30th June, 2005 by business segment are as follows:

	Communication products HK\$'000	Multi-media products HK\$'000	Entertainment products HK\$'000	Audio products HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30th June, 2006						
TURNOVER						
External sales	60,580	204,769	147,104	12,926	39,970	465,349
RESULT						
Segment result	4,803	5,582	4,685	1,303	(677)	15,696
Unallocated other income						1,180
Unallocated corporate expenses						(2,442)
Loss on disposal of an associate	-	-	-	-	(3,944)	(3,944)
Finance costs						(1,506)
Profit before tax						8,984
Income tax expense						(1,112)
Profit for the period						7,872
Six months ended 30th June, 2005						
TURNOVER						
External sales	67,243	165,170	39,480	27,999	3,873	303,765
RESULT						
Segment result	5,424	4,248	2,527	401	341	12,941
Unallocated other income						636
Unallocated corporate expenses						(1,293)
Share of result of an associate	-	-	-	-	(1,651)	(1,651)
Finance costs						(789)
Profit before tax						9,844
Income tax expense						(1,513)
Profit for the period						8,331

7. PROFIT BEFORE TAX

	Six months ended 30th June,	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Depreciation	7,646	5,906
Loss on disposal of property, plant and equipment	7	125
Loss on disposal of investment properties	–	74
Interest income	(1,032)	(83)

8. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Income tax for the period		
Hong Kong	1,601	1,560
Overprovision in prior years		
Hong Kong	(435)	–
Other jurisdictions	–	(88)
Deferred tax for the period	1,166 (54)	1,472 41
	1,112	1,513

Hong Kong Profits Tax is calculated at 17.5 per cent (six months ended 30th June, 2005: 17.5 per cent) on the estimated assessable profit for the period.

Income tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax has been provided for temporary differences arising from accelerated tax depreciation in respect of property, plant and equipment in both periods.

9. DIVIDENDS

During the period ended 30th June, 2006, a dividend of HK\$0.028 per share (six months ended 30th June, 2005: Nil) was declared to shareholders as the final dividend for 2005.

The Directors have determined that an interim dividend of HK\$0.015 per share (six months ended 30th June, 2005: HK\$0.025 per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 6th October, 2006.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30th June,	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	7,872	8,328
Weighted average number of ordinary shares for the purposes of basic earnings per share	302,815,608	225,000,000
Effect of dilutive potential ordinary shares: Share options	574,987	2,573,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	303,390,595	227,573,000

The calculation of basic earnings per share for the six months ended 30th June, 2005 was assuming that 225,000,000 shares of the Company had been in issue throughout that period.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$7,419,000 (six months ended 30th June, 2005: HK\$3,175,000).

12. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

The Group normally allows an average credit period of 30 – 75 days to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group.

The following is an aged analysis of trade debtors at the respective balance sheet dates:

	30th June, 2006 <i>HK\$'000</i>	31st December, 2005 <i>HK\$'000</i>
0 to 30 days	69,343	178,353
31 to 60 days	62,404	104,817
61 to 90 days	31,405	23,275
91 to 120 days	4,199	1,961
Over 120 days	4,443	5,458
Deposits and prepayments	171,794 14,973	313,864 21,397
	186,767	335,261

13. TRADE CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of the trade creditors at the respective balance sheet dates:

	30th June, 2006 <i>HK\$'000</i>	31st December, 2005 <i>HK\$'000</i>
0 to 30 days	50,008	121,523
31 to 60 days	38,286	89,356
61 to 90 days	35,894	53,316
91 to 120 days	13,396	38,733
Over 120 days	11,924	26,380
Accrued charges	149,508 16,935	329,308 24,954
	166,443	354,262

14. BILLS PAYABLE

The following is an aged analysis of the bills payable, with maturity date of 90 days, at the respective balance sheet dates:

	30th June, 2006 <i>HK\$'000</i>	31st December, 2005 <i>HK\$'000</i>
0 to 30 days	2,810	–
31 to 60 days	5,255	2,752
61 to 90 days	1,616	–
	9,681	2,752

15. AMOUNT DUE TO A RELATED COMPANY

The amount is owed to Dongguan Guanman Acoustic Co. Ltd., a company in which Mr. Ip Wai Cheong, Ernest, a director and shareholder of the Company, has beneficial interest. The amount is of trading nature, unsecured, interest free and repayable within one year.

The following is an aged analysis of the amount due to a related company at the respective balance sheet dates:

	30th June, 2006 <i>HK\$'000</i>	31st December, 2005 <i>HK\$'000</i>
0 to 30 days	641	10,231
31 to 60 days	–	5,948
	641	16,179

16. BANK BORROWINGS

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
The maturity of the bank loans is as follows:		
On demand or within one year	34,439	41,503
More than one year, but not exceeding two years	3,170	4,454
	37,609	45,957
Less: Amount due within one year shown under current liabilities	(34,439)	(41,503)
Amount due after one year	3,170	4,454

During the period, the Group obtained new bank loans and repaid bank loans amounting to HK\$53,416,000 and HK\$61,764,000 (year ended 31st December, 2005: HK\$24,298,000 and HK\$9,546,000) respectively. The loans bear interest at market rates and are repayable within one year.

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
On incorporation	38,000,000	380
Increase on 25th June, 2005	462,000,000	4,620
At 31st December, 2005 and 30th June, 2006	500,000,000	5,000
Issued and fully paid:		
Allotted and issued at nil paid on 7th February, 2005	1	–
Issue of shares upon the group reorganisation	4,999,999	50
Allotted and issued at par on 17th May, 2005	49,995	–
Issue of shares at premium	867,968	9
Issue of shares on capitalisation of share premium account	219,082,037	2,191
Issue of shares upon the placing and public offer	75,000,000	750
At 31st December, 2005	300,000,000	3,000
Exercise of share options	3,397,500	34
At 30th June, 2006	303,397,500	3,034

18. CAPITAL COMMITMENTS

At 30th June, 2006, the Group had commitments for capital expenditure of approximately HK\$388,000 (31st December, 2005: HK\$2,797,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

19. PLEDGE OF ASSETS

At 30th June, 2006, bank deposits amounting to HK\$4,925,000 (31st December, 2005: HK\$9,877,000) of the Group were pledged to secure certain banking facilities granted to the Group.

20. RELATED PARTY TRANSACTIONS

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

Name of related company	Relationship	Nature of transactions	Six months ended	
			30th June, 2006 HK\$'000	2005 HK\$'000
Dongguan Guanman Acoustic Co. Ltd.	Controlled by a Director	Trade purchases	30,581	33,445
Directors		Remuneration	1,670	1,963
Senior management		Remuneration	1,781	1,156

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' and Chief Executive's Interests in Shares

As at 30th June, 2006, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Directors	Capacity/Nature of interests	Total interests in shares/ underlying shares	Approximate percentage of interest
Mr. Cheung Wah Keung	Interest in a controlled corporation (Note)	152,655,473	50.32%
	Beneficial owner	520,000	0.17%
Mr. Ip Wai Cheong, Ernest	Beneficial owner	5,298,302	1.75%

Note:

These shares were held by Pro Partner Development Limited in which Mr. Cheung Wah Keung has a beneficial interest.

Save as disclosed above, none of the directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30th June, 2006.

Share Option

As at 25th June, 2005, the share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company, under which, the options the Company may grant 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.

As at 30th June, 2006, no options have been granted under the Share Option Scheme.

As at 11th May, 2005, an option to subscribe for 3,397,500 shares in the Company at an exercise price equals to par value of HK\$0.01 per share was granted to a Director of the Company as the pre-IPO Share Option as follows:

Director	Date of grant	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at end of the period	Option period	Subscription price per share
Mr. Ip Wai Cheong, Ernest	11th May, 2005	3,397,500	-	3,397,500	-	-	-	14th January, 2006 to 31st December, 2007	HK\$0.01

Substantial Shareholders' Interests

As at 30th June, 2006, the interests and short positions of the following persons, other than directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ Nature of interests	Total interests in shares ⁽¹⁾	Approximate percentage of interests
Pro Partner Developments Limited	Beneficial owner	152,655,473	50.32%
Lucky Merit Holdings Limited ⁽²⁾	Beneficial owner	16,500,000	5.44%
New World Development Company Limited ⁽²⁾	Corporate	16,500,000	5.44%
S. I. Technology Venture Capital Limited ⁽³⁾	Beneficial owner	16,500,000	5.44%
Shanghai Industrial Investment (Holdings) Company Limited ⁽³⁾	Corporate	16,500,000	5.44%
Ms. Cheung Lup Ying	Beneficial owner	15,207,936	5.01%

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) Lucky Merit Holdings Limited, which directly holds 16,500,000 shares in the Company, is an indirect wholly-owned subsidiary of New World Development Company Limited ("NWDCL"), shares of which are listed on the Main Board. Therefore, NWDCL is deemed to be interested in those 16,500,000 shares.

- (3) S. I. Technology Venture Capital Limited, which directly holds 16,500,000 shares in the Company, is a wholly-owned subsidiary of Shanghai Industrial Holdings Limited ("SIHL"), shares of which are listed on the Main Board. Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") indirectly controls more than one-third of the voting power of SIHL, therefore SIIC is deemed to be interested in those 16,500,000 shares.

Save as disclosed above, no other person had registered an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as at 30th June, 2006.

Disclosure Pursuant to Rule 13.20 of the Listing Rules

The table below sets out the details, as required by Rule 13.15 of the Listing Rules, of advances to entities by the Group as at 30th June, 2006, which continued to exist and were discloseable pursuant to Rule 13.13 of the Listing Rules:

Name of entity (and affiliated companies)	Nature of advances giving rise to the disclosure obligation	Aggregate amount due to the Group as at 30th June, 2006 <i>HK\$</i>	Terms of advances
Logitech Inc. Logicool Co., Ltd. Logitech De Mexico, S.A. DE C.V. Logitech Europe S.A. Logitech Far East Ltd. Logitech Hong Kong Ltd. Logitech Ireland Services Ltd.	Trade receivables arising from sales of headsets and multi-media speaker systems	107,569,000	Unsecured, interest free and with payment terms of approximately 60 days
Altec Lansing (Hong Kong) Ltd. Altec Lansing Technologies Inc.	Trade receivables arising from sales of speakers system for PCs, compressed audio players	31,523,000	Unsecured, interest free and with payment terms of approximately 30 to 75 days

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

The Company confirms that it has complied with all material code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the six months period ended 30th June, 2006, except the roles of Chairman and the Chief Executive Officer are both performed by Mr. Cheung Wah Keung. The Group does not currently propose to separate the functions of Chairman and Chief Executive Officer, as both the Board and senior management of the Group has significantly benefited from the leadership, support and experience of Mr. Cheung.

Compliance with the Model Code of the Listing Rules

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). The Company confirms that, after specific enquiry with each Director, all Directors have confirmed compliance with the Model Code during the six months period ended 30th June, 2006.

Audit Committee

The Audit Committee oversees the scope and results of the audit, and the independence of the external auditors. The Audit Committee is empowered to investigate any matter relating to the Group’s accounting, auditing, internal controls and financial practices brought to its attention, with full access to records, resources and personnel, to enable it to discharge its functions properly.

In performing its functions, the Audit Committee meets with the auditors, without the presence of management, and reviews the overall scope of audits.

The Audit Committee comprises 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.

Remuneration Committee

A Remuneration Committee has been established in accordance with the requirements of the Code. On 15th September, 2006, the Company has appointed Mr. Lai Ming, Joseph, our Independent Non-Executive Director, to be a member of the Remuneration Committee. The primary duties of the Remuneration Committee include but not limited to reviewing and determining the terms of employment of the directors and senior management. The Remuneration Committee will meet at least twice per annum to discuss related issues when need arises. The Remuneration Committee comprises one Executive Director, Mr. Cheung Wah Keung (Chairman) and three Independent Non-Executive Directors, namely Mr. Lai Ming, Joseph, Dr. Lam King Sun, Frankie and Mr. Goh Gen Cheung.

Review of Accounts

Disclosure of financial information complies with Appendix 16 of the Listing Rules. The interim results of the Group for the six months ended 30th June, 2006 have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu. The Audit Committee has also reviewed with senior management of the Group, in particular the unaudited financial statements for the six months period ended 30th June, 2006. It has also reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Purchase, Sales 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.

By order of the Board

Cheung Wah Keung

Chairman and Chief Executive Officer

Hong Kong

15th September, 2006