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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, 2014

The board of directors (the “Board”) of Shinhint Acoustic Link Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2014 together with the comparative figures for the corresponding period in 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (Continued)**

For the six months ended 30th June, 2014

	NOTES	Six months ended 30th June, 2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited) (Restated)
Other comprehensive (expenses) income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(574)	1,533
		<hr/>	<hr/>
Total comprehensive income for the period		5,801	1,554
		<hr/> <hr/>	<hr/> <hr/>
Earnings (loss) per share	8		
From continuing and discontinued operations			
Basic (HK cents)		1.98	0.01
		<hr/>	<hr/>
Diluted (HK cents)		1.98	0.01
		<hr/> <hr/>	<hr/> <hr/>
From continuing operations			
Basic (HK cents)		1.27	(1.59)
		<hr/>	<hr/>
Diluted (HK cents)		1.27	(1.59)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2014

	NOTES	30th June, 2014 HK\$'000 (Unaudited)	31st December, 2013 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment		15,718	16,887
Club membership		978	978
Rental deposits		643	649
		17,339	18,514
Current Assets			
Inventories		35,429	46,864
Trade debtors, deposits and prepayments	9	191,793	137,353
Bank balances and cash		164,591	50,407
		391,813	234,624
Assets classified as held for sale		-	367,013
		391,813	601,637
Current Liabilities			
Trade creditors and accrued charges	10	142,725	147,682
Tax liabilities		838	598
		143,563	148,280
Liabilities associated with assets classified as held for sale		-	210,089
		143,563	358,369
Net Current Assets		248,250	243,268
Total Assets less Current Liabilities		265,589	261,782
Capital and Reserves			
Share capital		3,218	3,215
Reserves		261,534	257,730
Total Equity		264,752	260,945
Non-current Liabilities			
Deferred tax liabilities		837	837
		265,589	261,782

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

The Group had two operating segments in prior periods:

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

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

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

4. INCOME TAX EXPENSE – CONTINUING OPERATIONS

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

5. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

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

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

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

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

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

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

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

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

Cash flows for the period from the discontinued operation were as follows:

	Two months ended 28th February, 2014 HK\$'000	Six month ended 30th June, 2013 HK\$'000
Net cash inflows from operating activities	28,990	33,848
Net cash outflows from (used in) investing activities	1,087	(3,186)
Net cash outflows used in financing activities	-	(15,000)
	<u>30,077</u>	<u>15,662</u>
Net cash flows	<u><u>30,077</u></u>	<u><u>15,662</u></u>

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

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

7. DIVIDENDS

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

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

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

The computation of diluted earnings per share does not assume the exercise of share options granted under the share option scheme since their exercise would result in an increase in earnings per share for both periods.

From continuing operations

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

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

From discontinued operations

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

9. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

The Group normally allows a credit period of 30 to 90 days to its trade customers, and may further extend the credit period to selected customers depending on their trade volume and settlement with the Group.

The following is an analysis of trade debtors by age, presented based on the invoice date, which approximated the revenue recognition date. The analysis below does not include those classified as part of a disposal group held for sale. No allowance for doubtful debts has been recognised for both periods.

	30th June,	31st December,
	2014	2013
	HK\$'000	HK\$'000
0 to 30 days	39,357	54,600
31 to 60 days	39,864	34,381
61 to 90 days	43,490	38,854
91 to 120 days	7,241	419
Over 120 days	<u>7,889</u>	<u>266</u>
Trade debtors	137,841	128,520
Amount due from TSI Group	48,545	-
Other debtors, deposits and prepayments	<u>5,407</u>	<u>8,833</u>
	<u>191,793</u>	<u>137,353</u>

10. TRADE CREDITORS AND ACCRUED CHARGES

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

	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
0 to 30 days	31,776	37,986
31 to 60 days	40,370	43,476
61 to 90 days	34,342	30,367
91 to 120 days	21,485	22,234
Over 120 days	3,913	2,347
	<hr/>	<hr/>
Trade creditors	131,886	136,410
Accrued charges	10,839	11,272
	<hr/>	<hr/>
	142,725	147,682
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

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

Financial Review

Liquidity and Financial Resources

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

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

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

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

Treasury Policies

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

Contingent Liabilities

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

Human Resources

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

Prospects

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

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, 2014.

Audit Committee

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

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

Purchase, Sale or Redemption of Shares

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

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, 22nd August, 2014

As at the date of this announcement, the Company has two Executive Directors, namely Mr. Cheung Wah Keung (Chairman) and Mr. Su Zhiyong, one Non Executive Director, namely Mr. Yip Yat Ming and three Independent Non-Executive Directors, namely Mr. Yen Chanan, Dr. Lam King Sun, Frankie and Mr. Goh Gen Cheung.