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, 2013

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 (the "Group") for the six months ended 30th June, 2013 together with the comparative figures for the corresponding period in 2012.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2013

	NOTES	**Six months ended 30th June,**	
		2013	2012
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Revenue	3	**472,898**	478,565
Cost of sales		**(424,623)**	(454,286)
Gross profit		**48,275**	24,279
Other income		**426**	423
Selling and distribution costs		**(6,000)**	(8,483)
Administrative expenses		**(28,908)**	(37,266)
Research and development expenses		**(7,613)**	(11,996)
Impairment loss recognised on trade debtors		**(3,298)**	(26,133)
Other gains and losses		**(2,657)**	172
Finance costs		**(2)**	(356)
Profit (loss) before taxation	4	**223**	(59,360)
Taxation	5	**(202)**	(401)
Profit (loss) for the period		**21**	(59,761)
		HK cents	HK cents
Earnings (loss) per share	7		
- Basic		**0.01**	(18.59)
- Diluted		**0.01**	(18.59)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30th June, 2013

	Six months ended 30th June,	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period	**21**	(59,761)
Other comprehensive income (expenses):		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**1,533**	(565)
Other comprehensive income (expenses) for the period	**1,533**	(565)
Total comprehensive income (expenses) for the period	**1,554**	(60,326)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30th June, 2013

	NOTES	**30th June, 2013 HK$'000 (Unaudited)**	31st December, 2012 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment		**57,267**	62,370
Club membership		**978**	978
Rental deposits		**1,039**	1,028
Deposits for acquisition of property, plant and equipment		**1,392**	1,518
		60,676	65,894
Current Assets			
Inventories		**83,434**	104,909
Trade debtors, deposits and prepayments	8	**276,819**	352,433
Tax recoverable		**1,927**	1,856
Bank balances and cash		**105,929**	87,421
		468,109	546,619
Current Liabilities			
Trade creditors and accrued charges	9	**270,679**	340,356
Tax liabilities		**523**	847
Bank borrowings - due within one year		**-**	15,000
		271,202	356,203
Net Current Assets		**196,907**	190,416
Total Assets less Current Liabilities		**257,583**	256,310
Capital and Reserves			
Share capital		**3,215**	3,215
Reserves		**253,968**	252,359
Total equity		**257,183**	255,574
Non-current liabilities			
Deferred tax liabilities		**400**	736
		257,583	256,310

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30th June, 2013

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").

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, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, the following new and 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:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle; and
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. PRINCIPAL ACCOUNTING POLICIES – (continued)

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for 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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The application of the other new and revised 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 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 sold. During the current interim period, the Group revised its segment reporting for the purpose of more effective business analysis due to the convergence of technologies and product applications. The business activities of previously reported communication peripheral segment, portable audio segement and desktop audio segment are now combined into two segments, namely headphones and speaker systems. The business activities of speaker units (previously named as speaker drivers) and others remain unchanged. Prior-year figures have been re-presented to conform with current interim period presentation.

The Group is currently organised into three reportable and operating segments which are sales of headphones, speaker systems and speaker units. The three reportable and operating segments are as follows:

- Headphones mainly comprises wireless and wired headphones.
- Speaker systems mainly comprises portable and stationary speaker systems.
- Speaker units mainly comprise speaker drivers for automotive, flat-panel TV and audio applications.

In addition, others include sales of miscellaneous parts and accessories.

3. REVENUE AND SEGMENT INFORMATION – (continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment:

Six months ended 30th June, 2013

	Headphones HK$'000	Speaker systems HK$'000	Speaker units HK$'000	Others HK$'000	Total HK$'000
REVENUE					
External sales	**90,935**	**148,635**	**194,671**	**38,657**	**472,898**
RESULT					
Segment result	**(776)**	**6,853**	**(7,840)**	**2,106**	**343**
Unallocated income					**426**
Unallocated administrative expenses					**(544)**
Finance costs					**(2)**
Loss before taxation					**223**
Taxation					**(202)**
Profit for the period					**21**

Six months ended 30th June, 2012

	Headphones HK$'000 (restated)	Speaker systems HK$'000 (restated)	Speaker units HK$'000	Others HK$'000	Total HK$'000
REVENUE					
External sales	95,216	169,661	161,809	51,879	478,565
RESULT					
Segment result	(12,501)	(36,253)	(596)	(9,060)	(58,410)
Unallocated income					423
Unallocated administrative expenses					(1,017)
Finance costs					(356)
Loss before taxation					(59,360)
Taxation					(401)
Loss for the period					(59,761)

Segment result represents the profit (loss) earned (incurred) by each segment without allocation of finance costs, unallocated 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.

4. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30th June, 2013 HK$'000	2012 HK$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Depreciation	**8,825**	10,607
Loss (gain) on disposal of property, plant and equipment (included in other gains and losses)	**66**	(1)
Write down of inventories (included in cost of sales)	**2,167**	3,474
Share-based payment expense	**55**	112
Interest income	**(43)**	(362)
Net exchange loss (gain) (included in other gains and losses)	**2,591**	(171)

5. TAXATION

	Six months ended 30th June, 2013 HK$'000	2012 HK$'000
Current tax for the period		
Hong Kong Profits Tax	**509**	-
People's Republic of China (the "PRC") Enterprise Income Tax	**29**	325
	538	325
Deferred tax for the period	**(336)**	76
Taxation charge	**202**	401

6. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods. Subsequent to the end of the current interim period, the directors have determined that an interim dividend of HK1.0 cent per share (2012: nil) will be paid to the owners of the Company whose names appear in the Register of Members on 25th September, 2013.

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30th June,	
	2013	2012
	HK$'000	HK$'000
Earnings (Loss)		
Earnings (loss) for the purpose of basic and diluted loss per share		
Earning (loss) for the period	**21**	(59,761)
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**321,545**	321,545

The computation of diluted earnings per share for the current interim period does not assume the exercise of the Company's share options because the exercise price of those options is higher than the average market price of the Company's shares. For the six months ended 30th June, 2012, the computation of diluted loss per share did not assume the exercise of the Company's share options because it would reduce the amount of loss per share.

8. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

The Group normally allows a credit period of 30 to 105 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 aged analysis of trade debtors (net of allowance for doubtful debts) presented based on the invoice date at the end of the respective reporting periods, which approximated the respective revenue recognition dates:

	30th June, 2013	31st December, 2012
	HK$'000	HK$'000
0 to 30 days	**74,361**	73,846
31 to 60 days	**73,636**	111,657
61 to 90 days	**81,860**	81,643
91 to 120 days	**20,595**	52,883
Over 120 days	**1,821**	5,975
	252,273	326,004
Other debtors, deposits and prepayments	**24,546**	26,429
	276,819	352,433

9. TRADE CREDITROS AND ACCRUED CHARGES

The following is an aged analysis of the trade creditors presented based on the invoice date at the end of respective reporting periods:

	30th June, 2013 HK$'000	31st December, 2012 HK$'000
0 to 30 days	**82,341**	91,958
31 to 60 days	**59,745**	66,915
61 to 90 days	**45,768**	55,807
91 to 120 days	**27,822**	50,106
Over 120 days	**4,603**	17,141
	220,279	281,927
Accrued charges	**50,400**	58,429
	270,679	340,356

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The global economy was relatively stable in the first half of 2013. But the overall consumer market was still far from satisfactory after the European debt crisis. The recovery process is believed to take a long time with some of the European countries still facing severe economical challenges. Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (the "Group") are pleased to report to our shareholders that, despite of the continued unfavorable business environment, we have made substantial improvements during the period through disciplined execution of our set strategies. While revenue remained stable, we were able to improve the gross margins and reduce the administrative cost for the Group to resume a healthy financial position, with both bottom line and cash flow seeing significant positive changes. For the six months ended 30th June, 2013, the Group reported a turnover of HK$472,898,000, which represented a slight decrease of 1.18% over the corresponding period of last year (2012 Interim: HK$478,565,000). The decrease in turnover caused by the cease of business of Altec Lansing, who caused a significant impairment loss for the Group last year, and other old customers was mostly compensated by the turnover from the new customers the Group has acquired in the last two to three years.

The gross profit of the Group increased by 98.83% to HK$48,275,000 for the period under review (2012 Interim: HK$24,279,000). The increase in gross profit was mainly attributable to the introduction of new products of new customers and the discontinuation of several low margin legacy products. While we are seeing encouraging progress, the substantial mandatory minimum wage increase in Dongguan City, where the Group's factories are located, that took effect in May 2013 and the continual appreciation of Renminbi (RMB) have already impacted the profit margin of the Group in the first half of this financial year. During the reporting period, the Group has significantly reduced the combined administrative expenses and Research and Development costs by HK$12,741,000, which represented 25.86% of those in 2012. It is worth mentioning that the reduction of the expenses was in no way undermining the future growth potential of the Group. We have appropriately allocated the available resources on strategic areas that are crucial for the long term development. It was though regrettable that the Group had to report a one time impairment loss of HK$3,298,000 due to the sudden closure of business of Disruptive Limited, a UK customer of the Group and brand owner of Gear4. It was a consequence of the poor economy in Europe as Disruptive Limited became insolvent after the back to back insolvencies of its UK retail customers, namely Comet and HMV. It was unfortunate that the closure of Disruptive Limited happened not long before we concluded the export insurance policy, which is now in place well covering the account receivables of the Group. For the period under review, the Group has reported a slim net profit of HK$21,000 (2012 Interim: net loss of HK$59,761,000). It was obviously insignificant but was marking a good turnaround after all the adversities the Group had to face in the last two years.

As we have mentioned in our 2012 Annual Report, due to the convergence of technologies and product applications, the previous segmentation adopted by the Group became ineffective for business analysis purpose. For this reason, we have implemented new segmentation starting from this financial year. The combined turnover of the new segments, Headphones and Speaker Systems, is equivalent to the combined turnover of three of the previous ones which are Desktop Audio, Portable Audio and Communication Peripherals. Speaker Units and Others are kept unchanged.

During the reporting period, the turnover of Speaker Units was increased by 20.31%, reaching HK$194,671,000 (2012 Interim: HK$161,809,000). While the turnover was on the uptrend, due to the increasing operating cost in China, the profit margin was unsatisfactory. Margin improvement would be the Group's focus in the coming years and the three main actions are revision of selling price, improvement of efficiency and optimization of product mix. While we are expecting to see some improvement in the second half of 2013, we believe it will be a profit contributor in the whole year of 2014 and beyond.

The turnover of Speaker Systems in the first half of 2013 was HK$148,635,000, down by 12.39% (2012 Interim: HK$169,661,000). Nevertheless, it was encouraging to see that this segment has resumed reasonable profitability. It was attributable to the Group's efforts on discontinuing several high turnover and low margin legacy products and the introduction of some wireless speakers that were very well accepted by the consumers. As a matter of fact, wireless audio streaming was seeing major growth momentum. Thanks to the continuous investment in our Research and Development initiatives, the Group was able to tap on this trend. We believe that wireless audio streaming will continue to grow and shall provide new opportunities to the Group.

Headphones have recorded a turnover of HK$90,935,000 (2012 Interim: 95,216,000), a slight decrease of 4.5% during the reporting period. With a healthier product mix, same as Speaker Systems, this segment has seen satisfactory margin improvement. One of the Group's main strategies is to increase the turnover shares of headphones in the coming three years. We are confident that the profit margin of Headphones shall continue to improve with the effect of economy of scale.

The turnover of the segment of Others was mainly from the sales of parts and components, such as injected plastic pieces and cable assemblies. We recorded HK$38,657,000 during the period (2012 Interim: HK$51,879,000). The sales of this segment were mostly for serving our existing customers. Although the turnover was quite material, it did not require special resources for acquiring the business. The Group's strategy is to have it sustained with our current customers.

While the overall improvements of the Group's performance in 2013 were obvious, the increasing operating cost in China continued to exert pressure on the Group. The two long term cost-up drivers, mandatory labor wage increase and RMB appreciation, are believed to continue hindering the profitability of most manufacturing companies in China. While cost control will always be important, the Group will make certain of continuous new product introductions with value added technologies and design features.

Financial Review

Liquidity and Financial Resources
As at 30th June 2013, the Group maintained a healthy cash level with net cash (cash and cash equivalents less bank borrowings) of HK$105,929,000 (31st December 2012: HK$72,421,000).

As at 30th June, 2013, the Group's net current assets were HK$196,907,000 (31st December, 2012: HK$190,416,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.7 as compared to 1.5 at last year end.

As at 30th June 2013, the Group had no bank borrowings (31st December 2012: HK$15,000,000). The gearing ratio, being computed by dividing total borrowings by shareholders' equity, was nil as at 30th June 2013 (31st December 2012: 5.9%).

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, 2013, the Group had no material contingent liabilities.

Human Resources
As at 30th June, 2013, the Group employed a total of approximately 4,100 employees (30th June, 2012: 4,400) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$86,597,000 (30th June, 2012: HK$92,610,000). 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

While we reviewed the Group's performance on the three key strategies stipulated in the first half financial report of 2012, we felt it proven that they were the right set of strategies and the management team have well executed. With a more solid foundation built, we've formulated new set of strategies for the coming three years and the management team is committed to sound execution. Firstly, we will continue to expand the customer base with focus on credibility and scalability. Secondly, we want to see headphone shares on the Group's turnover to increase substantially by the end of 2015. As a matter of fact, there are very few competitors who are able to design and manufacture high quality speaker systems and headphones under one roof. It certainly is a competitive advantage as it allows customers to reduce their supplier base, consequently their internal resources. The third direction is to continue on with our cost control initiatives. It is particularly important given the fact that the overall economical situation is believed to be uncertain for quite some years and the operating cost pressure in China will continue to raise. We believe these are the right strategies and the management team is determined to do our utmost for the greatest benefits of our shareholders and employees.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1 cent per share for the six months ended 30th June, 2013 (2012 interim dividend: Nil). The interim dividend will be paid to shareholders, whose names appear on the register of members of the Company at the close of business on 25th September, 2013. It is expected that the interim dividend will be paid on or about 2nd October, 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23rd September, 2013 to Wednesday, 25th September, 2013 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Thursday, 19th September, 2013.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company has, throughout the six months ended 30th June, 2013, applied and complied with the principles in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. On specific enquiry made, all the directors of the Company have confirmed that they have fully complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2013.

Audit Committee

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

The interim results of the Group for the six months ended 30th June, 2013 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, 2013.

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, 28th August, 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, Weeky Peter and three Independent Non-Executive Directors, namely Mr. Lai Ming, Joseph, Dr. Lam King Sun, Frankie and Mr. Goh Gen Cheung.