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, 2012

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, 2012 together with the comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2012

	NOTES	Six months ended 30th June, 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Revenue	3	**478,565**	414,550
Cost of sales		**(454,286)**	(395,076)
Gross profit		**24,279**	19,474
Other income		**423**	733
Selling and distribution costs		**(8,483)**	(6,005)
Administrative expenses		**(37,266)**	(39,335)
Research and development expenses		**(11,996)**	(12,428)
Impairment loss recognised on trade debtors		**(26,133)**	-
Other gains and losses		**172**	389
Finance costs		**(356)**	(4)
Loss before taxation	4	**(59,360)**	(37,176)
Taxation	5	**(401)**	305
Loss for the period		**(59,761)**	(36,871)
		HK cents	HK cents
Loss per share	7		
- Basic		**(18.59)**	(11.47)
- Diluted		**(18.59)**	(11.47)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

	Six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(59,761)**	(36,871)
Other comprehensive (expenses) income		
Exchange differences arising on translation of foreign operations	**(565)**	558
Other comprehensive (expenses) income for the period	**(565)**	558
Total comprehensive expenses for the period	**(60,326)**	(36,313)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	30th June, 2012 HK$'000 (Unaudited)	31st December, 2011 HK$'000 (Audited)
Non-current assets		
Property, plant and equipment	**71,984**	77,806
Intangible assets	**978**	978
Rental deposits	**1,026**	991
Deposits for acquisition of property, plant and equipment	**-**	637
	73,988	80,412
Current assets		
Inventories	**116,717**	134,828
Trade debtors, deposits and prepayments	**275,304**	400,724
Tax recoverable	**1,999**	1,860
Bank balances and cash	**94,248**	87,099
	488,268	624,511
Current liabilities		
Trade creditors and accrued charges	**282,836**	384,727
Tax liabilities	**44**	682
Bank borrowings - due within one year	**50,000**	30,000
	332,880	415,409
Net current assets	**155,388**	209,102
Total assets less current liabilities	**229,376**	289,514
Capital and reserves		
Share capital	**3,215**	3,215
Reserves	**225,506**	285,720
Total equity	**228,721**	288,935
Non-current liabilities		
Deferred tax liabilities	**655**	579
Total equity and liabilities	**229,376**	289,514

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30th June, 2012

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Financial Instruments: Disclosure - Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the 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. Thus, the Group is currently organised into four reportable and operating segments which are sales of communication peripheral, portable audio, desktop audio and speaker drivers. The four reportable and operating segments are as follows:

- Communication peripheral mainly comprises wireless and wired audio accessories for mobile communications.
- Portable audio mainly comprises portable speaker systems.
- Desktop audio mainly comprises stationary speaker systems.
- Speaker drivers mainly comprises speaker driver 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, 2012

	Communication peripheral HK$'000	**Portable audio HK$'000**	**Desktop audio HK$'000**	**Speaker drivers HK$'000**	**Others HK$'000**	**Total HK$'000**
REVENUE						
External sales	**75,557**	**132,473**	**56,847**	**161,809**	**51,879**	**478,565**
RESULT						
Segment result	**(10,574)**	**(25,831)**	**(12,349)**	**(596)**	**(9,060)**	**(58,410)**
Unallocated income						**423**
Unallocated expenses						**(1,017)**
Finance costs						**(356)**
Loss before taxation						**(59,360)**

Six months ended 30th June, 2011

	Communication peripheral HK$'000	Portable audio HK$'000	Desktop audio HK$'000	Speaker drivers HK$'000	Others HK$'000	Total HK$'000
REVENUE						
External sales	53,181	128,133	49,360	150,232	33,644	414,550
RESULT						
Segment result	(542)	(15,437)	(6,933)	(7,596)	(5,963)	(36,471)
Unallocated income						733
Unallocated expenses						(1,434)
Finance costs						(4)
Loss before taxation						(37,176)

Segment result represents the loss by each segment without allocation of finance costs, unallocated income and 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. LOSS BEFORE TAXATION

	Six months ended 30th June,	
	2012	2011
	HK$’000	HK$’000
Loss before taxation has been arrived at after charging (crediting):		
Depreciation	**10,607**	8,761
(Gain) loss on disposal of property, plant and equipment (included in other gains and losses)	**(1)**	15
Write down of inventories (included in cost of sales)	**3,474**	5,552
Share-based payment expense	**112**	581
Interest income	**(362)**	(546)

5. TAXATION

	Six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
Current tax for the period		
Hong Kong Profits Tax	**-**	244
People's Republic of China (the "PRC") Enterprise Income Tax	**325**	71
	325	315
Deferred tax for the period	**76**	(620)
Taxation charge (credit)	**401**	(305)

6. DIVIDENDS

During the six months ended 30th June, 2011, the Group recognised a final dividend of HK$2.0 cents per share, totalling HK$ 6,431,000 in respect of the year ended 31st December, 2010.

The directors do not recommend the payment of an interim dividend for the current period.

7. LOSS PER SHARE

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

	Six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period	**(59,761)**	(36,871)
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**321,545**	321,545

The computation of diluted loss per share for the both periods does not assume the exercise of the Company's share options because it will reduce the amount of loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With no solution in sight for the European debt crisis, the global economy was full of pessimism and there were no signs of recovery for the consumer electronic sector. Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (the "Group") were operating under adverse business environment during the period under review. Some legacy major customers of the Group were experiencing difficulties and have inevitably affected the Group's performance. As a matter of fact, one of them has halted majority of the operations in May 2012 which resulted in the need for the Group to book a significant impairment loss for the period. For the six months ended 30th June, 2012, the Group reported a turnover of HK$478,565,000, which represented an increase of 15% over the corresponding period of last year (2011 Interim: HK$414,550,000). Such increase was mainly attributable to new customers that the Group has acquired during the period. These new revenue sources partially offset the negative impacts from the Group's legacy customers.

The gross profit of the Group increased by 25% to HK$24,279,000 for the period under review (2011 Interim: HK$19,474,000). The increase in gross profit was mainly attributable to the increase of sales and a slight increase in gross margin. While the surging of overall material and operating cost in the People Republic of China ("PRC") slowed down, they still stayed high and aggravated the situation of the manufacturing industry already operating under the unfavorable global economic environment. During the reporting period, the Group has successfully reduced the administrative cost as an initial achievement of a longer term cost saving plan. While the Group was recording gradual improvements in most operational areas, unfortunately, a long standing USA customer of the Group suddenly ceased operation without any prior signs and indications and caused the need for the Group to make an impairment loss of $26,133,000, which represented the total account receivables amount with that customer. With this adverse impact, the Group reported a loss for the period of HK$59,761,000 (2011 Interim: loss for the period of HK36,871,000).

During the reporting period, in the midst of the very unfavorable economic environment, the Group has recorded turnover increase in all product segments. Communication peripherals, Portable audio, Desktop audio, Speaker drivers and Others saw increase of sales by 42%, 3%, 15%, 8% and 54% respectively. With the major legacy customers continued to face their own challenges and, as a result, drop their purchases from us, the sales increases were attributable to the new customers that the Group has acquired in the past years through proactive marketing and strengthened Research and Development ("R&D") capabilities. Nevertheless, due to the initial cost required for establishing the business relationships with these new customers, the sales to them were not contributing more desirable profit margins during the period under review.

Among the five product segments, Communication peripherals and Others were seeing the most substantial turnover increase during the reporting period. Sales of Communication peripherals reached HK$75,557,000, representing a period-on-period growth of 42% (2011 Interim: HK$53,181,000). The growth was mainly attributable to the Group's R&D capability in supporting the convergence of communication and audio applications into single devices. The increase of turnover of Others to HK$51,879,000, representing a period-on-period growth of 54% (2011 Interim: HK$33,644,000), was mainly attributable to the successful launch of two digital recording products for a reputable Japanese customer. It represented a good expansion of product scope and geographical reach for the Group.

Financial Review

Liquidity and Financial Resources
As at 30th June, 2012, the Group's net current assets were HK$155,388,000 (31st December, 2011: HK$209,102,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.5, same as at last year end.

As at 30th June, 2012, the Group maintained a healthy cash level with net cash and cash equivalents (net of bank borrowings) of HK$44,248,000 (31st December, 2011: HK$57,099,000). The Group had bank borrowings of HK$50,000,000 (31st December, 2011: HK$30,000,000).

The gearing ratio of the Group increased to 21.9% from 10.4% as at 31st December, 2011. The ratio is computed by dividing total borrowings of HK$50,000,000 (31st December, 2011: HK$30,000,000) by shareholders' equity of HK$228,721,000 (31st December, 2011: HK$288,935,000).

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

Treasury Policies
The Group does not engage in any leveraged or derivative products. Consistent with this prudent approach to financial risk management, the Group has continued to work towards maintaining a comfortable gearing position. Since the Group's sales and raw material purchases are conducted in 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, 2012, the Group had no material contingent liabilities.

Human Resources

As at 30th June, 2012, the Group employed a total of approximately 4,400 employees (30th June, 2011: 4,900) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$92,610,000 (30th June, 2011: HK$81,731,000). 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 last two years of financial turbulence induced by the European debt crisis, it is generally believed that the recovery of the global economy is going to be a prolonged process. With this backdrop, the Group will focus on three strategic directions. The first is to expand market shares by increasing business with the enlarged customer base and acquiring new substantial customers for the Group. Secondly, we will strive to improve the profit margins with the initial customer acquisition period completed and the launching of new products in the second half of the financial year. The third direction is to exercise even tighter cost control measures for providing better flexibility to the Group's operations. With almost all competitors facing the same operational challenges, the management team is determined to stay competitive and to do our utmost for the greatest benefits of our shareholders and employees.

Interim Dividend

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30th June, 2012 (No dividend for 2011 interim).

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company has, throughout the six months ended 30th June, 2012, 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, 2012.

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, 2012 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, 2012.

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, 2012

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.