# SHINHINT ACOUSTIC LINK HOLDINGS LIMITED
# 成謙聲匯控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2728)**

## FINAL RESULTS FOR THE YEAR 2011

The board of directors (the "Board") of Shinhint Acoustic Link Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2011 as follows:

### CONSOLIDATED INCOME STATEMENT
*For the year ended 31st December, 2011*

| | NOTES | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|---|
| Revenue | 3 | **1,150,524** | 1,056,154 |
| Cost of sales | | **(1,071,315)** | (927,588) |
| Gross profit | | **79,209** | 128,566 |
| Other income | 4 | **1,385** | 1,272 |
| Selling and distribution costs | | **(17,613)** | (19,077) |
| Administrative expenses | | **(78,294)** | (77,951) |
| Research and development expenses | | **(25,294)** | (17,415) |
| Other gains and losses | | **2,229** | (2,692) |
| Finance costs | 5 | **(7)** | (11) |
| (Loss) profit before taxation | 6 | **(38,385)** | 12,692 |
| Taxation | 7 | **2,395** | (2,009) |
| (Loss) profit for the year | | **(35,990)** | 10,683 |
| (Loss) earnings per share | 9 | | |
| Basic (HK dollar) | | **(0.11)** | 0.03 |
| Diluted (HK dollar) | | **(0.11)** | 0.03 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the year ended 31st December, 2011*

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| (Loss) profit for the year | **(35,990)** | 10,683 |
| **Other comprehensive (expense) income** | | |
| Exchange differences arising on translation of foreign operations | **1,470** | 953 |
| Exchange differences reclassified to profit or loss upon deregistration of a foreign operation | **(1,776)** | - |
| Other comprehensive (expense) income for the year | **(306)** | 953 |
| Total comprehensive (expense) income for the year | **(36,296)** | 11,636 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 31st December, 2011*

| | NOTES | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | | **77,806** | 60,645 |
| Intangible assets | | **978** | 978 |
| Rental deposits | | **991** | 961 |
| Deposits for acquisition of property, plant and equipment | | **637** | 6,664 |
| | | **80,412** | 69,248 |
| **Current Assets** | | | |
| Inventories | | **134,828** | 116,040 |
| Trade debtors, deposits and prepayments | 10 | **400,724** | 267,039 |
| Tax recoverable | | **1,860** | 2,167 |
| Bank balances and cash | | **87,099** | 135,560 |
| | | **624,511** | 520,806 |
| **Current Liabilities** | | | |
| Trade creditors and accrued charges | 11 | **384,727** | 234,507 |
| Tax liabilities | | **682** | 871 |
| Bank borrowings - due within one year | | **30,000** | 21,000 |
| | | **415,409** | 256,378 |
| **Net Current Assets** | | **209,102** | 264,428 |
| **Total Assets less Current Liabilities** | | **289,514** | 333,676 |
| **Capital and Reserves** | | | |
| Share capital | 12 | **3,215** | 3,215 |
| Reserves | | **285,720** | 327,288 |
| **Total Equity** | | **288,935** | 330,503 |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | | **579** | 3,173 |
| | | **289,514** | 333,676 |

**Notes**

## 1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's parent and ultimate holding company is Pro Partner Developments Limited (incorporated in the British Virgin Islands). The addresses of the registered office and the principal place of business of the Company are disclosed in the Corporate Information to the annual report.

The consolidated financial statements comprise the Group and are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

***New and revised Standards, Amendments and Interpretations (collectively the "new and revised HKFRSs") applied in the current year***

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|---|---|
| Amendments to HKFRSs | Improvements to HKFRSs issued in 2010 |
| Amendments to HK(IFRIC) – Int 14 | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments |
| HKAS 24 (as revised in 2009) | Related Party Disclosure |
| Amendments to HKAS 32 | Classification of Right Issues |

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

***Amendments to HKAS 1 Presentation of Financial Statements***
***(as part of Improvements to HKFRSs issued in 2010)***

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group elects to present such analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

***New and revised HKFRSs issued but not yet effective***

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKFRS 7 | Disclosures – Transfer of Financial Assets [1] |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| HKFRS 9 | Financial Instruments [3] |
| HKFRS 10 | Consolidated Financial Statements [2] |
| HKFRS 11 | Joint Arrangements[2] |
| HKFRS 12 | Disclosures of Interests in Other Entities[2] |

| | |
|---|---|
| HKFRS 13 | Fair Value Measurement[2] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[5] |
| Amendments to HKAS 12 | Deferred Tax: Recovery of Underlying Assets[4] |
| HKAS 19 (as revised in 2011) | Employee Benefits[2] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements [2] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[6] |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine[2] |

1 Effective for annual periods beginning on or after 1st July, 2011
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2015
4 Effective for annual periods beginning on or after 1st July, 2012
5 Effective for annual periods beginning on or after 1st January, 2012
6 Effective for annual periods beginning on or after 1st January, 2014

The directors of the Company (the "Directors") anticipate that the application of these new and revised HKFRSs will have no material financial impact on the results and financial position of the Group.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue

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

The information reported to the Group's chief operating decision maker (i.e. Executive Directors) for the purposes of resource allocation and assessment of performance is focused on the type of products. Thus, the Group is currently organised into four operating and reportable segments which are sales of communication peripheral, portable audio, desktop audio and speaker drivers. The information of each reportable segment is as follows:

- Communication peripheral mainly comprises wireless and wired audio accessories for mobile communications.
- Portable audio mainly comprises portable speaker systems.
- Desktop audio mainly comprises stationary speaker systems.
- Speaker drivers mainly comprises speaker drivers for automotive, flat-panel TV and audio applications.

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

Segment information of the Group's revenue and results by reportable segment is presented below:

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

Other information

| | Communication peripheral HK$'000 | Portable audio HK$'000 | Desktop audio HK$'000 | Speaker drivers HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Amounts included in the measure of segment result: | | | | | | |
| Depreciation | 3,260 | 8,182 | 2,045 | 3,774 | 1,571 | 18,832 |
| Loss (gain) on disposal of property, plant and equipment | 4 | 12 | 3 | (156) | 2 | (135) |
| Write down of inventories | 1,175 | 2,948 | 736 | 1,772 | 566 | 7,197 |
| Impairment loss reversed on other debtors | - | (314) | - | - | - | (314) |
| Research and development expenses | 4,949 | 12,432 | 3,106 | 2,420 | 2,387 | 25,294 |

2010

| | 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 | 179,832 | 426,542 | 144,296 | 262,921 | 42,563 | 1,056,154 |
| RESULT | | | | | | |
| Segment result | 9,658 | 1,730 | 101 | 1,738 | 185 | 13,412 |
| Unallocated income | | | | | | 1,272 |
| Unallocated expenses | | | | | | (1,981) |
| Finance costs | | | | | | (11) |
| Profit before taxation | | | | | | 12,692 |
| Taxation | | | | | | (2,009) |
| Profit for the year | | | | | | 10,683 |

Other information

| | Communication peripheral HK$'000 | Portable audio HK$'000 | Desktop audio HK$'000 | Speaker drivers HK$'000 | Others HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Amounts included in the measure of segment result: | | | | | | |
| Depreciation | 3,204 | 8,652 | 2,928 | 2,086 | 864 | 17,734 |
| Loss on disposal of property, plant and equipment | 242 | 145 | 46 | 1,425 | 14 | 1,872 |
| Reversal of write down of inventories | (84) | (1,294) | (68) | (117) | (20) | (1,583) |
| Impairment loss on other debtors | - | 389 | - | - | - | 389 |
| Research and development expenses | 3,124 | 8,318 | 2,814 | 2,329 | 830 | 17,415 |

Segment result represents the (loss) profit earned 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.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets.

| | Revenue from external customers Year ended | | Non-current assets | |
|---|---|---|---|---|
| | 2011 HK$'000 | 2010 HK$'000 | 2011 HK$'000 | 2010 HK$'000 |
| The Netherlands | 172,719 | 243,166 | - | - |
| United States of America (the "United States") | 331,846 | 327,117 | - | - |
| The People's Republic of China (the "PRC") | 247,133 | 233,608 | 80,412 | 69,248 |
| Belgium | 174,851 | 49,084 | - | - |
| Other countries | 223,975 | 203,179 | - | - |
| | 1,150,524 | 1,056,154 | 80,412 | 69,248 |

Information about major customers

Included in revenues arising from sales of communication peripheral, portable audio and desktop audio are revenues of approximately HK$366 million (2010: HK$461 million) which arose from sales to the Group's major customer which accounted for over 10% of the Group's revenue for the year. Sales of speaker drivers to another major customer of approximately HK$378 million (2010: HK$199 million) also accounted for over 10% the Group's revenue for the year.

## 4. OTHER INCOME

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Bank interest income | **1,182** | 367 |
| Sundry income | **203** | 905 |
| | **1,385** | 1,272 |

## 5. FINANCE COSTS

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Interest on bank borrowings wholly repayable within five years | **7** | 11 |

## 6. (LOSS) PROFIT BEFORE TAXATION

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| (Loss) profit before taxation has been arrived at after charging (crediting): | | |
| Auditor's remuneration | **1,138** | 1,172 |
| Cost of inventories recognised as an expense including write down of inventories of HK$7,197,000 (2010: reversal of write down of inventories of HK$1,583,000) | **1,071,315** | 927,588 |
| Depreciation | **18,832** | 17,734 |
| Net exchange (gain) loss (included in other gains and losses) | **(2,094)** | 820 |
| Staff costs | | |
| Directors' emoluments (included share-based payment expense of HK$734,000 (2010: Nil) and retirement benefit scheme contributions of HK$24,000 (2010: HK$24,000)) | **5,083** | 4,292 |
| Retirement benefit scheme contributions | **4,076** | 3,321 |
| Share-based payment expense | **425** | - |
| Other staff costs | **184,423** | 151,350 |
| Total staff costs | **194,007** | 158,963 |
| Operating lease rentals in respect of rented premises | **8,908** | 7,831 |
| Other rental expenses | **9,877** | 9,673 |
| Impairment loss (reversed) recognised on trade and other debtors | **(314)** | 389 |
| (Gain) loss on disposal of property, plant and equipment (included in other gains and losses) | **(135)** | 1,872 |

Note:

For the year ended 31st December, 2010, the management reviewed the net realisable value of the existing inventories and the estimated selling prices of respective models, write down of inventories of HK$1,583,000 have been reversed in consolidated income statement.

## 7. TAXATION

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| The charge comprises: | | |
| Current tax for the year | | |
| Hong Kong | **308** | 1,733 |
| PRC Enterprise Income Tax | **743** | 781 |
| | **1,051** | 2,514 |
| Overprovision in prior years | | |
| Hong Kong | **(82)** | (304) |
| PRC Enterprise Income Tax | **(770)** | - |
| | **(852)** | (304) |
| Deferred taxation | | |
| Current year | **(2,594)** | (201) |
| | **(2,395)** | 2,009 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group is exempted from PRC Enterprise Income Tax for two years starting from its first profit-making year, or the year ended 31st December, 2008, whichever is earlier and is granted a 50% relief for the following three years. PRC Enterprise Income Tax is calculated at 12.5% for this PRC subsidiary which is eligible for the 50% relief for both years. For the PRC subsidiary without preferential tax rates, the subsidiary is subject to PRC Enterprise Income Tax at 25%.

## 8. DIVIDENDS

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Dividend recognised as distribution during the year: | | |
| Interim dividend paid in respect of dividend declared for 2011 of nil (2010: HK1.2 cents in respect of dividend declared for 2010) per share | **-** | 3,859 |
| Final dividend paid in respect of dividend declared for 2010 of HK2.0 cents (2010: HK4.3 cents in respect of dividend declared for 2009) per share | **6,431** | 13,826 |
| Special dividend paid in respect of dividend declared for 2010 of nil (2010: HK1.8 cents in respect of dividend declared for 2009) per share | **-** | 5,788 |
| | **6,431** | 23,473 |

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2011 (2010: HK2.0 cents per share).

## 9. (LOSS) EARNINGS PER SHARE

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

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| (Loss) earnings | | |
| (Loss) earnings for the purpose of basic and diluted (loss) earnings per share | | |
| (Loss) profit for the year | **(35,990)** | 10,683 |

| | **'000** | '000 |
|---|---|---|
| Number of shares | | |
| Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share | **321,545** | 321,545 |

The computation of diluted loss per share for the current year does not assume the exercise of the Company's share options because it will reduce the amount of loss per share. For the year ended 31st December, 2010, the computation of diluted earnings per share did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the Company's shares for 2010.

## 10. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade debtors | **371,647** | 256,779 |
| Other debtors, deposits and prepayments | **29,077** | 10,260 |
| | **400,724** | 267,039 |

Included in Group's debtors are trade debtors with carrying amounts of HK$347,510,000 (2010: HK$247,269,000) which denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

The Group normally allows a credit period of 30 days to 105 days (2010: 30 days to 105 days) to its trade customers, and may be further extended to selected customers depending on their trade volume and settlement with the Group.

The following is an aged analysis of trade debtors (net of impairment losses) presented based on the invoice date at the end of the respective reporting periods:

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 to 30 days | **136,704** | 79,334 |
| 31 to 60 days | **108,562** | 83,337 |
| 61 to 90 days | **87,742** | 65,537 |
| 91 to 120 days | **29,320** | 26,838 |
| Over 120 days | **9,319** | 1,733 |
| | **371,647** | 256,779 |

Included in the Group's trade debtor balances are debtors with aggregate carrying amount of HK$40,348,000 (2010: HK$25,043,000) which are past due at the end of reporting period. The Group considers the amounts are recoverable, therefore, no impairment loss is considered necessary. The Group does not hold any collateral over these balances. Trade debtors which are neither past due nor impaired are considered recoverable as the balances related to a number of independent customers that have a good track record with the Group.

## 11. TRADE CREDITORS AND ACCRUED CHARGES

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

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 to 30 days | **96,769** | 72,998 |
| 31 to 60 days | **70,450** | 52,439 |
| 61 to 90 days | **66,110** | 32,085 |
| 91 to 120 days | **62,934** | 28,026 |
| Over 120 days | **28,508** | 3,181 |
| | **324,771** | 188,729 |
| Accrued charges | **59,956** | 45,778 |
| | **384,727** | 234,507 |

The average credit period on purchases of goods is 90 days.

Included in the Group's creditors are trade creditors with carrying amounts of HK$150,543,000 (2010: HK$65,030,000) and HK$28,237,000 (2010: HK$16,245,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

## 12. SHARE CAPITAL

| | Number of shares | Amount |
|---|---|---|
| | | HK$'000 |
| Ordinary shares of HK$0.01 each: | | |
| Authorised: | | |
| At 1st January, 2010, 31st December, 2010 and 31st December, 2011 | 500,000,000 | 5,000 |
| Issued and fully paid: | | |
| At 1st January, 2010, 31st December, 2010 and 31st December, 2011 | 321,545,564 | 3,215 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

For most of the export oriented manufacturing companies in the PRC, 2011 was actually a year between two fires. On the market side, there were clouds in Europe due to the deepened debt crisis while the United States was still striving for economic recovery since the financial turmoil happened three years ago. On the operation side, in the PRC, costs continued to rise due to mandatory labor wage increase, material cost increase and Renminbi appreciation. It was an extremely unfavorable environment for most companies along the supply chain. Although the smart phone and tablet computer markets continued to see growth, the overall demand for their acoustic accessories and peripherals were sluggish. The Group's analysis showed that the profit margins of most peer companies were severely eroded while the long-standing customers of the Group were all recording deteriorated financial performance.

With the relatively stable automotive market, the demand of the Group's speaker drivers has recorded stable growth. However, the outrageous surge of neodymium magnet cost has pushed TV makers to go for using lower grade speaker drivers. This trend has caused additional burden on the already soft TV demand.

### Business Review

The speaker drivers business was still the fast growing segment of the Group. For the year ended 31st December, 2011, its turnover climbed to HK$443,864,000 (2010: HK$262,921,000), a year-on-year growth of 69%. The significant growth was predominantly from the automotive industry. However, while there was actual demand growth, a significant portion of the turnover increase was actually contributed by the surge of the neodymium magnet cost, which is an extract from rare earth and is an irreplaceable component for some speaker types. Demands from other industries, mainly TV and audio, were soft.

The turnover of the communication peripheral segment was reduced to HK$153,368,000 (2010: HK$179,832,000), representing a year-on-year drop of 15%. For portable audio, turnover saw a decrease of 10%, reaching HK$383,723,000 (2010: HK$426,542,000). The declined turnover of both segments was a direct reflection of the unfavorable economic environment and the subsequent declined performance of our long-standing customers in their respective markets. According to NPD Group, Inc., an industry and market research services provider in the United States, except for audio headphones, the sales of product categories that the Group produced were all stagnant in 2011 in the United States. On the other end, orders for European distributions were significantly affected under the pessimistic sentiment caused by the debt crisis across the whole continent. During the reporting year, a major customer of the Group awkwardly cancelled a major speaker project after our successful initial production run. It did not only cause substantial loss of sales and opportunity cost for the Group, it also took time for the Group to get reimbursement from the customer for materials ordered and unused.

The desktop audio business continued to drop as we have strategically planned. Its turnover was further reduced to HK$95,889,000 (2010: HK$144,296,000), accounting for only 8% of the Group's overall turnover.

The turnover of product segment of "Others" recorded a growth of 73%, reaching HK$73,680,000 (2010: HK$42,563,000). The substantial growth was a contribution of the combined sales of plastic injection parts, components and a high end digital recorder manufactured for a new Japanese customer.

Expanding the customer base has been a key strategy of the Group. It does not only provide a stronger foundation for revenue growth, the long-standing risk of customer concentration can also be mitigated. During the year under review, the largest customer of the Group was 33% of the Group's turnover (2010: 44%) and the top five customers were 74% (2010: 80%). We consider it a healthier portfolio and expect the concentration risk to be further alleviated in the coming year for attaining a more balanced revenue stream.

In terms of geographical coverage, the United States became the Group's largest market, accounting for 29% of turnover for the year ended 31st December, 2011. The PRC, recorded 21% of the turnover of the Group, took the place of the Netherlands, a major logistics hub in Europe, and became the Group's second largest market.

**Operation Review**

The operating environment in the PRC continued to be unfriendly to the manufacturing sector. Mandatory minimum wage was increased by over 90% in the last six years in Dongguan City of the PRC, where the Group's two factories are located. Renminbi has appreciated by over 27% during the same period. Almost all commodities costs are continuing on with the increasing trend. The management believes that all these costs will continue to go higher and the years ahead are going to be even more challenging. The Group will push even harder to pass on the cost increase to the market by raising selling price and developing products of higher profitability for counteracting the cost impacts.

Recruitment, retention and management of workers in the PRC have become major challenges in the last few years. There was no lack of headlines on these topics on the newspapers. As a matter of fact, the very high turnover rate of labor has already caused significant efficiency loss to the Group. In the coming year, the Group will strengthen its human resources functions and offer more competitive wages for stabilizing the workforce. We are certain that a stable workforce will bring efficiency improvements, which will eventually reflected by financial benefits.

Facing all the challenges, however, the Group believes that the PRC is still offering the strongest overall competitiveness for the electronic industries with its sophisticated supply chain and availability of highly skillful middle management and engineers compared with most of the other countries.

**Financial Review**

*Results Performance*

For the year ended 31st December, 2011, the Group's turnover increased by 9% from that of last year to HK$1,150,524,000 (2010: HK$1,056,154,000). The gross profit dipped by 38% and the Group has reported a loss for the year of HK$35,990,000 (2010: profit of HK$10,683,000) which were mainly attributable to the continuous increase in production costs as a result of the surge in labour costs, rise in raw material prices and appreciation of Renminbi.

For the year under review, basic loss per share was approximately HK11.2 cents (2010: basic earnings per share of HK3.3 cents). The Board did not recommend the payment of a final dividend for the year ended 31st December, 2011.

*Liquidity and Financial Resources*
As at 31st December, 2011, the Group maintained a cash level with net cash and cash equivalents of HK$57,099,000 (2010: HK$114,560,000) and unutilized banking facilities of HK$20,000,000 (2010: HK$74,000,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 1.5 compared with 2.0 in 2010.

The Group's trade debtors amounted to HK$371,647,000 as at 31st December, 2011 (2010: HK$256,779,000). Substantial amount of the trade debtors were settled after the end of the reporting period. The remaining unsettled amount is considered recoverable as the balances related to a number of independent customers that have a good track record with the Group.

The Group's gearing ratio increased from 6.4% to 10.4% as at 31st December, 2011. The ratio was calculated by dividing total borrowings of HK$30,000,000 (2010: HK$21,000,000) by shareholders' equity of HK$288,935,000 (2010: HK$330,503,000).

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

*Contingent Liabilities*
As at 31st December, 2011, the Group had no material contingent liabilities.

*Pledge on the Group's Assets*
As at 31st December, 2011, no assets had been pledged to secure the Group's banking facilities.

**Prospects**
The recovery of the economy in the United States and Europe is believed to be a very long process. When helps from economic growth are still distant, the Group's strategies are to increase our market shares and to develop products with higher price tag and higher margin. The capability and capacity of the research and development (the "R&D") are pivotal for this direction. While we are working everyday to reduce the operating costs, we will continue to strengthen our R&D in the most effective manner.

Looking ahead, the Group shall continue to focus on its core businesses for going through this period of industry's consolidation. We will make every effort to capitalize from the expanded customer base and the strengthened R&D capabilities. The wider wireless technologies' applications shall provide more opportunities to the Group for enhancing the sales and profitability.

The whole management team is committed to working closely together for most timely stabilization of the operations and resuming profitability for the Group and the investors.

**Employees**

As at 31st December, 2011, the Group's work force totaled approximately 4,100 (2010: approximately 4,500) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK$188,924,000 (2010: HK$154,671,000). The Group ensures that the pay levels of its employees are competitive and according to market trends and its employees are rewarded on a performance related basis and within the general framework of the Group's salary and bonus system.

## DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2011 (2010: HK2.0 cents per share).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15th May, 2012 to Thursday, 17th May, 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the annual general meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 14th May, 2012.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and have put in place self regulatory corporate practices to protect the interests of its shareholders and the enhancement of shareholder value. Our mission in terms of corporate governance is to provide high-quality products and services to the satisfaction of our customers; maintain high standards of business ethics and achieve these goals while, at the same time, providing satisfactory and sustainable returns to shareholders.

In addition, the Group acts in a socially responsible manner through a variety of initiatives and sees this as part of its overall commitment to good corporate governance.

The Company has a Code of Business Conduct that sets out principles, values and standards of conduct expected of management and staff throughout the Group, and underpins our operating procedures and policies.

The Company has, throughout the year ended 31st December, 2011, applied and complied with the code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

**DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. On specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards set out in the Model Code throughout the year ended 31st December, 2011.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31st December, 2011.

**REVIEW BY THE AUDIT COMMITTEE**

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31st December, 2011.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2011 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

**ACKNOWLEDGEMENT**

On behalf of the Board, I would like to extend my sincere gratitude to our business partners and shareholders for their continued support. The management team and all staff members should also be lauded for their unwavering efforts and dedication to the Group.

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

Hong Kong, 23rd March, 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.*