



成謙聲匯控股有限公司
Shinhint Acoustic Link Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2728)

Interim Report
2009

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Wah Keung

(Chairman of the Board)

Mr. Wong Sau Lik, Weekly Peter

(Appointed on 23rd March, 2009)

Mr. Ip Wai Cheong, Ernest

(Resigned on 27th May, 2009)

Independent Non-Executive Directors

Mr. Lai Ming, Joseph

Dr. Lam King Sun, Frankie

Mr. Goh Gen Cheung

AUDIT COMMITTEE

Mr. Lai Ming, Joseph

(Chairman of the Committee)

Dr. Lam King Sun, Frankie

Mr. Goh Gen Cheung

REMUNERATION COMMITTEE

Dr. Lam King Sun, Frankie

(Chairman of the Committee)

Mr. Lai Ming, Joseph

Mr. Goh Gen Cheung

Mr. Cheung Wah Keung

AUTHORIZED REPRESENTATIVES

Mr. Cheung Wah Keung

Mr. Wong Sau Lik, Weekly Peter

COMPANY SECRETARY

Ms. Lau Mun Yee

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE

Unit 1506, 15th Floor, Nanyang Plaza

57 Hung To Road

Kwun Tong, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1506, 15th Floor, Nanyang Plaza

57 Hung To Road

Kwun Tong, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House, 68 Fort Street

P.O. Box 609

Grand Cayman KY1-1107

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

LEGAL ADVISER

Conyers Dill & Pearman, Cayman

STOCK CODE

2728 (listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

www.shinhint.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th June, 2009, Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (the "Group") reported a turnover of HK\$451,005,000, representing a modest 9% decrease over the corresponding period of last year (2008 Interim: HK\$493,409,000). Despite the challenge of the global economy, almost the same level of gross profit of HK\$54,286,000 was recorded for the period under review (2008 Interim: HK\$54,906,000) as the Group further strengthened its cost control initiatives and productivity. As a result of the gloomy economic climate which has hindered the acceptance of innovative product of acoustic devices for bicycles, the Group decided to fully recognize an impairment charge of HK\$4,944,000 for the related intellectual property. The Group's net profit attributable to owners of the Company nevertheless managed to increase by 253% to HK\$3,370,000 (2008 Interim: HK\$954,000).

The continued impact of the global economic crisis on the consumer electronics market is deep and far reaching. However, the Group managed to maintain a decent level of gross margin and profit in the plummeting market during the reporting period. This is achieved through measures such as prudent management of material costs, manufacturing overheads and administrative expenses. The challenging conditions prompted the Group to initiate cost control measures, effectively reducing costs in various areas. Moreover, the Group was able to generate healthy cash inflow, with net cash and cash equivalents rising to HK\$121,117,000 as of 30th June, 2009 from HK\$80,269,000 as of 31st December, 2008.

The portable audio business has experienced revenue growth during the review period. Benefiting from the rapid development of portable electronic devices such as mobile phones, MP3 players and portable computers from which music can be played, the turnover for this business segment has grown to HK\$243,846,000, representing an increase of approximately 26% from the turnover of HK\$193,811,000 for the same period last year. However, a decrease in demand for mobile handsets and internet telephony over this period has affected the communication peripheral business, pushing the Group's sales down by 12% to HK\$57,111,000 (2008 Interim: HK\$65,132,000). The desktop audio business was affected significantly by the overall industry downturn, leading to a revenue decline of 51% to HK\$82,051,000 (2008 Interim: HK\$168,348,000).

During the reporting period, the speaker drivers business has been segregated from its "Others" business segment in order to reflect the substantial sales growth achieved. The speaker drivers segment realized year-on-year growth of 19% to HK\$54,871,000 (2008 Interim: HK\$46,252,000) for the period under review, accounting for 12% of the Group's total turnover (2008 Interim: 9%). This strong performance was the result of a steady stream of orders from several automakers and renowned flat panel TV brands.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2009, the Group's net current assets were HK\$251,067,000 (31st December, 2008: HK\$252,391,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.4 as compared to 1.7 at last year end.

As at 30th June, 2009, the Group maintained a healthy cash level with net cash and cash equivalents of HK\$121,117,000 (31st December, 2008: HK\$80,269,000) and unutilized banking facilities of HK\$80,742,000 (31st December, 2008: HK\$81,923,000).

The gearing ratio of the Group decreased to 6.4% from 9.0% as at 31st December, 2008. The ratio is computed by dividing total borrowings of HK\$20,833,000 (2008: HK\$30,167,000) by shareholders' equity of HK\$323,785,000 (2008: HK\$334,270,000).

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 mainly conducted in US 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, 2009, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

HUMAN RESOURCES

As at 30th June, 2009, the Group employed a total of approximately 4,300 employees (30th June, 2008: 5,900) in Hong Kong and the PRC collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$56,726,000 (30th June, 2008: HK\$64,419,000). 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

The overall market has yet to recover from the global financial crisis and the remainder of this financial year remains challenging. The Group will continue to implement effective cost control measures and productivity enhancement for strengthening its financial position. Anticipating gradual economic rebound in the coming year, the Group is determined to capture the opportunity by broadening its customer base, enhancing its product portfolio and optimizing its operational efficiency.

Recognizing the future growth in demand for portable electronic devices such as 3G smartphones and netbooks, the Group will henceforth direct additional research and development ("R&D") efforts towards associated peripheral products for shortening the time to market. At the same time, the Group foresees increasing demand in high-end communication peripheral products that generate higher margin and will direct more resources to this segment. The Group will continue to strengthen its R&D capabilities to ensure that the latest electro-acoustic technologies are incorporated into its newest products.

To ensure balanced and stable revenue streams, the Group is reinforcing its ties with existing customers and establishing new ties across its core business segments. The Group will also strengthen its Original Design Manufacturer ("ODM") business. Capitalizing on its abilities to accurately forecast consumer trends, the Group will strive to design and develop more innovative products with higher margins. It does not only improve the Group's overall profitability, but can also expand its client base.

The Group has demonstrated a strong capability in controlling operating expenses during difficult times. It will further raise efficiency by automating business processes and adopting measures that promote effective operations. The Group will manage and monitor these measures in order to maintain a healthy financial position, which is crucial for readying the Group to build growth momentum once consumer demand picks up again.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CORPORATE DEVELOPMENT

The Company announced on 29th July, 2009 the appointment of Mr. Wong Sau Lik, Weekly Peter as Chief Executive Officer ("CEO") of the Company, effective 1st August, 2009. Mr. Wong brings with him over 22 years working in international sales and marketing, over 10 years of which have been focused in corporate management positions. Mr. Cheung Wah Keung remains the Chairman ("Chairman") of the board of directors (the "Board") of the Company, maintaining his responsibility of formulating the Group's overall strategic direction. Whereas, Mr. Wong will focus on business development, R&D and the implementation of corporate strategies. With the separation of roles of Chairman and CEO to Mr. Cheung and Mr. Wong respectively, the Group deems the change beneficial to the strategic development of the Group.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.2 cents per share for the six months ended 30th June, 2009 (2008 interim dividend: HK1.2 cents). 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 30th September, 2009. It is expected that the interim dividend will be paid on or about 9th October, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28th September, 2009 to Wednesday, 30th September, 2009 (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 Friday, 25th September, 2009.

By order of the Board

Cheung Wah Keung

Chairman

Hong Kong, 11th September, 2009

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended 30th June, 2009, applied and complied with the principles in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviation from CG Code provision A.2.1, which stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the six months ended 30th June, 2009, Mr. Cheung Wah Keung is the Chairman, the Chief Executive Officer and an Executive Director of the Company. The Board considered that, given the Group's stage of development at the prevailing time, vesting the roles of Chairman and Chief Executive Officer in the same person would facilitate the execution of the Group's business strategies and maximizes effectiveness of its operations. Subsequent to the six months ended 30th June, 2009, Mr. Cheung resigned as Chief Executive Officer of the Company with effect from 1st August, 2009 and the Board appointed Mr. Wong Sau Lik, Weekly Peter, an Executive Director, as Chief Executive Officer of the Company with effect from 1st August, 2009. The Board considers that Mr. Wong Sau Lik, Weekly Peter to be an appropriate person for the execution of the Group's business strategies and further maximization of the effectiveness of its operations and that the appointment is in the interest of the Company. Mr. Cheung Wah Keung continues to act as the Chairman and an Executive Director of the Company after his resignation as Chief Executive Officer. Subsequent to the change, the roles of the Chairman and Chief Executive Officer are vested in separate individuals and CG Code Provision A.2.1 is now fully complied with.

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, 2009.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

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, 2009 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, 2009.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2009, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity	Number of shares held ⁽¹⁾	Approximate percentage of the issued shares
Cheung Wah Keung	Interest of a controlled corporation ⁽²⁾	152,655,473	47.37%
	Beneficial owner	6,156,000	1.91%

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) 152,655,473 shares were held by Pro Partner Developments Limited ("Pro Partner"), a company wholly owned by Mr. Cheung Wah Keung.

Save as disclosed above, as at 30th June, 2009, none of the directors and the chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 25th June, 2005, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company, under which, options may be granted to any eligible participants (including any executive directors of the Company) to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme during the six months ended 30th June, 2009.

No share option granted under the Share Option Scheme was outstanding as at 1st January, 2009 and 30th June, 2009 respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2009, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or chief executive of the Company) had interests of 5% or more in the shares or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of shares held ⁽¹⁾	Approximate percentage of the issued shares
Cheung Wah Keung ⁽²⁾	Beneficial owner and interest of a controlled corporation	158,811,473	49.28%
Martin Currie (Holdings) Limited ⁽³⁾	Interest of controlled corporations	42,076,000	13.06%
David Michael Webb ⁽⁴⁾	Beneficial owner and interest of a controlled corporation	19,872,000	6.17%
Cheng Yu Tung Family (Holdings) Limited ⁽⁵⁾	Interests of controlled corporations	16,500,000	5.12%
Liberty New World China Enterprises Investments, LP ⁽⁶⁾	Interests of controlled corporations	16,500,000	5.12%

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) 152,655,473 shares were held by Pro Partner, a company wholly owned by Mr. Cheung Wah Keung. By virtue of the SFO, Mr. Cheung Wah Keung is deemed to be interested in all the shares held by Pro Partner. Together with 6,156,000 shares held beneficially, Mr. Cheung Wah Keung is deemed to be interested in 158,811,473 shares in the Company. These shares have been included in the interest disclosure of Mr. Cheung Wah Keung as set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

- (3) 20,800,000 shares and 21,276,000 shares were held by Martin Currie Inc. and Martin Currie Investment Management Limited respectively, being wholly owned subsidiaries of Martin Currie Ltd. which in turn is a wholly owned subsidiary of Martin Currie (Holdings) Limited. By virtue of the SFO, Martin Currie (Holdings) Limited is deemed to be interested in all shares held by Martin Currie Inc. and Martin Currie Investment Management Limited, totaling 42,076,000 shares in the Company.
- (4) 16,638,000 shares were held by Preferable Situation Assets Limited which is wholly owned by Mr. David Michael Webb. By virtue of the SFO, Mr. David Michael Webb is deemed to be interested in all the shares held by Preferable Situation Assets Limited. Together with 3,234,000 shares held beneficially, Mr. David Michael Webb is deemed to be interested in 19,872,000 shares in the Company.
- (5) 16,500,000 shares were held by Lucky Merit Holdings Limited, a wholly owned subsidiary of New World Liberty China Ventures Ltd., which in turn was a 50%-owned subsidiary of New World China Enterprises Investments Limited. New World China Enterprises Investments Limited was a wholly owned subsidiary of New World China Industrial Limited, which in turn was a wholly owned subsidiary of New World Enterprise Holdings Limited. New World Enterprise Holdings Limited was a wholly owned subsidiary of New World Development Company Limited, which in turn was held as to 37.92% by Chow Tai Fook Enterprises Limited. Chow Tai Fook Enterprises Limited was a wholly owned subsidiary of Centennial Success Limited, which in turn was 51%-owned subsidiary of Cheng Yu Tung Family (Holdings) Limited. By virtue of the SFO, Cheng Yu Tung Family (Holdings) Limited is deemed to be interested in 16,500,000 shares held by Lucky Merit Holdings Limited.
- (6) 16,500,000 shares were held by Lucky Merit Holdings Limited, a wholly owned subsidiary of New World Liberty China Ventures Ltd., which in turn was a 50%-owned subsidiary of Liberty New World China Enterprises Investments, LP. By virtue of the SFO, Liberty New World China Enterprises Investments, LP is deemed to be interested in 16,500,000 shares held by Lucky Merit Holdings Limited.

Save as disclosed above, as at 30th June, 2009, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the shares, underlying shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in the section headed "Compliance with the Code on Corporate Governance Practices" above, during the period under review, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SHINHINT ACOUSTIC LINK HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 32, which comprises the condensed consolidated statement of financial position of Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries as of 30th June, 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION *(Continued)*

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

11th September, 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

	<i>Notes</i>	Six months ended 30th June,	
		2009	2008
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	451,005	493,409
Cost of sales		(396,719)	(438,503)
Gross profit		54,286	54,906
Other income		318	1,559
Selling and distribution costs		(8,220)	(8,787)
Administrative expenses		(38,101)	(41,388)
Other expenses		(6,198)	(4,031)
Finance costs		(25)	(192)
Profit before taxation	5	2,060	2,067
Income tax expense	6	(896)	(1,114)
Profit for the period		1,164	953
Profit for the period attributable to:			
– Owners of the Company		3,370	954
– Minority interests		(2,206)	(1)
		1,164	953
Earnings per share	8	HK cents	HK cents
– Basic		1.05	0.29
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

	Six months ended 30th June,	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Profit for the period	1,164	953
Other comprehensive income		
Exchange differences arising on translation of foreign operations	4	706
Other comprehensive income for the period	4	706
Total comprehensive income for the period	1,168	1,659
Total comprehensive income attributable to:		
– Owners of the Company	3,374	1,660
– Minority interests	(2,206)	(1)
	1,168	1,659

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

	Notes	30th June, 2009 HK\$'000 (Unaudited)	31st December, 2008 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	75,087	81,605
Intangible assets	10	978	6,371
		76,065	87,976
Current assets			
Inventories		77,293	139,834
Trade debtors, deposits and prepayments	11	216,482	354,335
Tax recoverable		–	946
Bank balances and cash		141,950	110,436
		435,725	605,551
Current liabilities			
Trade creditors and accrued charges	12	156,310	315,393
Bills payable	13	6,758	7,077
Tax liabilities		450	–
Obligations under finance leases – due within one year		307	523
Bank borrowings – due within one year	14	20,833	30,167
		184,658	353,160
Net current assets		251,067	252,391
Total assets less current liabilities		327,132	340,367

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30th June, 2009

	Notes	30th June, 2009 HK\$'000 (Unaudited)	31st December, 2008 HK\$'000 (Audited)
Capital and reserves			
Share capital	15	3,222	3,222
Reserves		320,563	331,048
Equity attributable to owners of the Company		323,785	334,270
Minority interests		–	2,206
Total equity		323,785	336,476
Non-current liabilities			
Obligations under finance leases – due after one year		–	44
Deferred tax liabilities		3,347	3,847
		3,347	3,891
Total equity and liabilities		327,132	340,367

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	of the Company HK\$'000	Total equity attributable to owners HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2008 (audited)	3,305	94,030	4,950	963	219,686	322,934		-	322,934
Profit for the period	-	-	-	-	954	954	(1)	953	
Exchange differences arising on translation of foreign operations	-	-	-	706	-	706	-	706	
Total comprehensive income for the period	-	-	-	706	954	1,660	(1)	1,659	
Contribution from minority interests	-	-	-	-	-	-	-	1	1
Dividend paid	-	-	-	-	(12,890)	(12,890)	-	(12,890)	
At 30th June, 2008 (unaudited)	3,305	94,030	4,950	1,669	207,750	311,704		-	311,704
At 1st January, 2009 (audited)	3,222	90,259	4,950	1,618	234,221	334,270	2,206	336,476	
Profit for the period	-	-	-	-	3,370	3,370	(2,206)	1,164	
Exchange differences arising on translation of foreign operations	-	-	-	4	-	4	-	4	
Total comprehensive income for the period	-	-	-	4	3,370	3,374	(2,206)	1,168	
Dividend paid	-	-	-	-	(13,859)	(13,859)	-	(13,859)	
At 30th June, 2009 (unaudited)	3,222	90,259	4,950	1,622	223,732	323,785		-	323,785

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2009

	Six months ended 30th June,	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash from (used in) operating activities	58,875	(56,136)
Investing activities		
Purchase of property, plant and equipment	(3,957)	(4,956)
Proceeds on disposal of property, plant and equipment	4	28
Interest received	70	1,022
Net cash used in investing activities	(3,883)	(3,906)
Financing activities		
Dividend paid	(13,859)	(12,890)
Repayment of bank loans	(38,134)	(11,665)
Interest paid	(25)	(192)
Repayment of obligations under finance leases	(260)	(248)
New bank loans raised	28,800	27,500
Contribution from minority interests	–	1
Net cash (used in) from financing activities	(23,478)	2,506
Net increase (decrease) in cash and cash equivalents	31,514	(57,536)
Cash and cash equivalents at beginning of the period	110,436	167,272
Effect of foreign exchange rate changes	–	349
Cash and cash equivalents at end of the period, represented by bank balances and cash	141,950	110,085

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1st January, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2009

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14 (see note 4). The adoption of the other new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2009

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Amendments to HKFRSs issued in 2009 ²
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-Based Payment Transactions ³
HKFRS 3 (Revised in 2008)	Business Combinations ¹
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – INT 18	Transfers of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1st July, 2009

² Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.

³ Effective for annual periods beginning on or after 1st January, 2010.

⁴ Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary. The directors of the Company are in the process of assessing the potential impact of other new or revised standards, amendments or interpretations and so far anticipate that the application of other new or revised standards, amendments or interpretations will have no material financial impact on the results and the financial position of the Group.

3. REVENUE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2009

4. SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. For the period ended 30th June, 2009, an additional reportable segment "Speaker drivers" is added as its reported revenue is more than 10 per cent of the combined revenue. This segment was previously included in the segment "Others". In addition, certain open models items aggregated in the segment "Others" are reallocated to reportable segments under HKFRS 8. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2009

4. SEGMENTAL INFORMATION *(Continued)*

The analysis of the Group's revenue and results by operating segment for the period under review is set out below:

Six months ended 30th June, 2009

	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	57,111	243,846	82,051	54,871	13,126	451,005
RESULT						
Segment result	5,270	(3,734)	(847)	2,070	106	2,865
Unallocated other income						318
Unallocated corporate expenses						(1,098)
Finance costs						(25)
Profit before taxation						2,060
Income tax expense						(896)
Profit for the period						1,164

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2009

4. SEGMENTAL INFORMATION (Continued)

Six months ended 30th June, 2008

	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	65,132	193,811	168,348	46,252	19,866	493,409
RESULT						
Segment result	1,381	1,116	105	172	445	3,219
Unallocated other income						1,559
Unallocated corporate expenses						(2,519)
Finance costs						(192)
Profit before taxation						2,067
Income tax expense						(1,114)
Profit for the period						953

Segment result represents the profit (loss) earned by each segment without allocation of finance costs, unallocated corporate expenses and other income. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2009

5. PROFIT BEFORE TAXATION

	Six months ended 30th June, 2009 HK\$'000	2008 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation	10,123	8,901
Amortisation of intangible assets (included in cost of sales)	449	–
Impairment loss recognised in respect of intangible assets (included in other expenses)	4,944	–
Loss on disposal of property, plant and equipment	352	87
Write down of inventories	1,185	141
Interest income	(70)	(1,022)

6. INCOME TAX EXPENSE

	Six months ended 30th June, 2009 HK\$'000	2008 HK\$'000
Current tax for the period		
Hong Kong	1,396	1,114
Deferred tax for the period	(500)	–
	896	1,114

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2009

7. DIVIDEND PAID

During the period ended 30th June, 2009, a dividend of HK4.3 cents per share (six months ended 30th June, 2008: HK3.9 cents) was paid to shareholders as the final dividend for 2008.

The directors have determined that an interim dividend of HK1.2 cents per share (six months ended 30th June, 2008: HK1.2 cents per share) should be paid to the shareholders of the Company whose names appear in the register of members on 30th September, 2009.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holder of the Company is based on the following data:

	Six months ended 30th June, 2009 HK\$'000	2008 HK\$'000
Earnings Earnings for the purposes of basic earnings per share (Profit for the period attributable to the owners of the Company)	3,370	954
Number of shares Weighted average number of ordinary shares for the purpose of basic earnings per share	'000 322,294	'000 330,518

No diluted earnings per share is presented for both periods because there is no potential ordinary shares outstanding throughout both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2009

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's acquisition of property, plant and equipment amounted to HK\$3,957,000 (six months ended 30th June, 2008: HK\$4,956,000).

10. INTANGIBLE ASSETS

	Intellectual property HK\$'000	Club membership HK\$'000	Total HK\$'000
COST			
As at 1st January, 2008	-	978	978
Contribution from minority shareholders	5,245	-	5,245
Additions	148	-	148
As at 1st January, 2009	5,393	978	6,371
Amortisation	(449)	-	(449)
Impairment loss	(4,944)	-	(4,944)
At 30th June, 2009	-	978	978

Intellectual property represents intellectual property on designs for acoustic devices for bicycles which contributed from minority shareholders in 2008.

Management conducted a review of the carrying amount of the intellectual property during the period to determine whether there is any indication of impairment loss. In the opinion of the directors, due to the gloomy economic climate which has hindered the acceptance of innovative product of acoustic devices for bicycles, the intellectual property may probably bring minimal cash inflows or economic benefits to the Group in the future. Accordingly, impairment loss of HK\$4,944,000 (six months ended 30th June, 2008: Nil) has been recognised to the condensed consolidated income statement during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30th June, 2009

11. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

The Group normally allows an average credit period of 30 – 90 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, presented based on the invoice date, at the end of the respective reporting periods:

	30th June, 31st December, 2009 HK\$'000	2008 HK\$'000
0 to 30 days	87,832	116,441
31 to 60 days	69,408	169,126
61 to 90 days	46,419	55,217
91 to 120 days	4,774	3,441
Over 120 days	2,194	132
Other debtors, deposits and prepayments	210,627 5,855	344,357 9,978
	216,482	354,335

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2009

12. TRADE CREDITORS AND ACCRUED CHARGES

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

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
0 to 30 days	64,638	98,838
31 to 60 days	30,931	108,614
61 to 90 days	16,249	59,580
91 to 120 days	3,095	9,404
Over 120 days	3,560	2,209
Accrued charges	118,473 37,837	278,645 36,748
	156,310	315,393

13. BILLS PAYABLE

The following is an aged analysis of the bills payable, with maturity date of 360 days (2008: 360 days), at the end of respective reporting periods:

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
Over 90 days	6,758	7,077

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2009

14. BANK BORROWINGS

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
Unsecured bank borrowings	20,833	30,167

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31st December, 2008 and 30th June, 2009	500,000,000	5,000
Issued and fully paid:		
At 31st December, 2008 and 30th June, 2009	322,293,564	3,222

16. CAPITAL COMMITMENTS

At 30th June, 2009, the Group had commitments for capital expenditure of approximately HK\$338,000 (31st December, 2008: HK\$1,488,000) in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30th June, 2009

17. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transaction with related party:

Name of related party	Nature of transactions	Six months ended 30th June, 2009 HK\$'000	Six months ended 30th June, 2008 HK\$'000
Directors and key management	Remuneration	5,866	4,982