



(Stock Code: 2728)

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Corporate Information

Board of Directors

Executive Directors

Mr. Cheung Wah Keung (Chairman of the Board)

Mr. Wong Sau Lik, Weeky 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, Weeky 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

Corporate Information

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



Dear Shareholders,

On behalf of the board of directors (the "Board") of Shinhint Acoustic Link Holdings Limited (the "Company"), I am pleased to present to you the audited annual results for the year ended 31st December, 2009 of the Company and its subsidiaries (the "Group").

2009 was a challenging year for the Group as the global economic downturn continued to batter consumer confidence. The consumer electronics market was inevitably affected. As a result, we experienced a 24% decrease in turnover. Nevertheless, through the implementation of effective cost control measures and enhancement of operating efficiency, we have successfully improved our gross profit margin by 2.1 percentage points to 13.3%. Excluding an impairment charge of HK\$4,944,000 for the intellectual property relating to the acoustic devices for bicycles, the Group was actually able to maintain a similar level of net profit attributable to owners of the Company as last year.

For the year under review, we continued to direct resources to the research and development ("R&D") function for continuous development of highend electro-acoustic products. The Group's strong R&D capabilities have not only bolstered our relationship with existing customers, but also enabled us to secure new businesses from a number of major original design manufacturer ("ODM") clients. In 2009, the Group has substantially increased the percentage of ODM products within its portfolio to 18% from 9% in 2008. Moreover, efforts on improving our supply chain management have effectively helped the Group lower its inventory level by 44%.

Chairman's Statement

While the recovery of the global economy is expected to be a slow and volatile process, we remain confident about the Group's prospects as we have built much stronger competencies in various areas for standing out in the consumer electronics market. We will continue to focus our resources on R&D for capturing the growing markets of wireless connectivity and converging mobile devices. We will also continue our efforts on expanding our customer base for building a more balanced revenue portfolio. Given the rising demand for flat-panel TVs, the Group will further expand its speaker drivers business segment. The Group strives to enhance its profitability by concentrating on the development and production of more innovative and higher end peripheral products and effectively controlling its operating costs.

On behalf of the Board, I would like to offer my gratitude to our business partners and shareholders for their continuous support. The management team and all staff members should also be lauded for their tireless efforts and dedication to the Group. Working as a cohesive whole, I trust that the year ahead will deliver results that are consistent with our dedication to excellence.

Cheung Wah Keung

Chairman of the Board

1st April, 2010

Management Discussion and Analysis

Market Review

The global economic downturn dealt the consumer electronics market a severe blow. The demand of most product categories fell substantially and the Group's sales were inevitably affected. Understandably, traditional categories, such as desktop computer, got bigger hit and so did the Group's related peripherals. Despite the decrease in demand for portable audio devices, a few innovative portable devices such as 3G smartphone, laptop and subnotebook (netbook) nevertheless are in a rising trend and the Group's performance in these segments were impacted by a lesser extent. Albeit lack of excitement in most segments, the Group was able to capture the opportunity of the surging flat panel TVs demand and in turn spiked sales of TV speaker drivers.

Business Review

Excluding the impairment charge of HK\$4,944,000 for the intellectual property relating to the acoustic devices for bicycles, the Group maintained a net profit attributable to owners of the Company similar to the previous year in spite of the underperforming market. In addition, the gross profit margin was improved by 2.1 percentage points to 13.3%.

This performance is attributable to the Company's implementation of prudent management strategies in controlling operating costs such as manufacturing overheads and cost of materials. Aiming at fastest recovery among competitions, it continued to strengthen the R&D, dedicating resources to developing products with higher margins. This brought about a tremendous improvement in the Company's ODM business that benefited the overall profit margins. Moreover, the Company's efforts to expand its customer base have borne fruit, solidifying ties with multinational customers. Finally, thanks to the recent surge in demand for flat panel TVs, the speaker drivers business witnessed strong performance over the year under review.

The Netherlands as a major logistic destination in Europe accounted for 33% of the Group's sales during the period under review, while the United States of America accounted for 28%. With the Group's key customers possessing a global reach, many of its products also penetrate other strategic markets such as Mainland China.

During the reporting period, segmental turnover from speaker drivers business reached HK\$162,226,000 (2008: HK\$102,168,000), representing a year-on-year rise of 59%. This positive result was achieved through a strong inflow of orders from established brands of flat panel TVs, as well as the automotive market.

The portable audio business experienced a 25% decline in turnover to HK\$521,473,000 (2008: HK\$694,815,000). This substandard performance reflected a generally slow demand for the mobile phones, MP3 players and portable computers to which the Group's portable audio products cater. The communication peripheral business also recorded a drop in performance owing to a slow general demand for mobile handsets and internet telephony. Turnover for this segment was down a modest 10% to HK\$146,624,000 (2008: HK\$162,218,000).

Segmental turnover for the desktop audio business dipped by 53% to HK\$168,173,000. This pattern reflects the overall trend of the industry as consumers continue to migrate towards portable computers from their desktop counterparts.

Management Discussion and Analysis

Financial Review

Results Performance

For the year ended 31st December, 2009, the Group's turnover decreased by 24% from that of last year to HK\$1,031,122,000 (2008: HK\$1,359,491,000). Despite the challenge of the global economy, the gross profit only dipped by 9% while the gross profit margin increased by 2.1 percentage points to 13.3%. As a result of the gloomy economic climate which has hindered the acceptance of the innovative product of acoustic devices for bicycles, an impairment charge of HK\$4,944,000 for the related intellectual property was fully recognized in 2009. Excluding the impairment charge, the net profit attributable to owners of the Company remained at a similar level to last year.

For the year under review, basic earnings per share reached approximately HK8.2 cents. The Board recommended the payment of a final dividend of HK4.3 cents per share for the year ended 31st December, 2009. Given the solid financial standing of the Group, the Board also recommended the payment of a special dividend of HK1.8 cents per share. Together with the interim dividend of HK1.2 cents per share already paid, total dividends for the year amounted to HK7.3 cents per share.

Liquidity and Financial Resources

As at 31st December, 2009, the Group maintained a healthy cash level with net cash and cash equivalents of HK\$123,835,000 (2008: HK\$80,269,000) and unutilized banking facilities of HK\$35,000,000 (2008: HK\$81,923,000). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 2.1 compared with 1.7 in 2008.

The Group's gearing ratio decreased from 9.0% to 5.8% as at 31st December, 2009. The ratio was calculated by dividing total borrowings of HK\$20,000,000 (2008: HK\$30,167,000) by shareholders' equity of HK\$342,340,000 (2008: HK\$334,270,000).

Share Capital

During the year, the Company had repurchased a total of 748,000 shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of HK\$550,400. All of the shares repurchased had been cancelled during the year. The repurchases were made by the Directors, pursuant to the mandate granted by the shareholders, with a view to benefit the Company and the shareholders as a whole in the enhancement of the net assets per share and earnings per share.

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 US 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.

Management Discussion and Analysis

Financial Review (Continued)

Contingent Liabilities

As at 31st December, 2009, the Group had no material contingent liabilities.

Pledge on the Group's Assets

As at 31st December, 2009, no assets had been pledged to secure the Group's banking facilities.

Prospects

Current market conditions will remain a challenge to the consumer electronics industry, but are expected to gradually improve in the wake of the global economic downturn. The Group remains cautiously optimistic about the full recovery of the market, and will capitalise on it by focusing on its portable audio, communication peripheral and speaker drivers businesses since they are expected to benefit from the booming popularity of 3G smartphones, flat panel TVs and other portable devices that music can be played from. For better allocation of resources, the Group intends to scale down production in its desktop audio business.

Looking towards the future, the Group intends to direct its focus on five major areas. It will further enhance operational efficiency by continuing with the cost-control measures that have proven so effective to date. It will also consolidate its supply base and enhance productivity in its major business segments to further achieve optimum efficiency. To meet the evolving needs of trend-centric consumers, the Group will also enhance its product portfolio by introducing a greater number of innovative and high-margin products, investing heavily in R&D both to sustain the long-term success of the business and to capture fresh business opportunities through its ability to foresee trends to come. Moreover, the Group will expand production capacity to meet the booming demand for speaker drivers. As fiscal success will ultimately rest on customer support, the Group will also seek to broaden its customer base both by providing a comprehensive suite of services ranging from R&D to manufacturing and by strengthening its ODM business. This proactive two-prong strategy will enable the Group to maintain its close relationship with both existing and potential new customers.

Maintaining a close scrutiny of market developments and technological trends, the Group's management team will make every effort to place the Group in a strong position that will enable it to capture fresh opportunities, paving the way for long-term growth.

Employees

As at 31st December, 2009, the Group's work force totaled approximately 4,000 (2008: approximately 5,800) in Hong Kong and the People's Republic of China (the "PRC") collectively. Staff costs (excluding directors' emoluments) amounted to approximately HK\$127,198,000 (2008: HK\$146,019,000). 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.

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, 2009, applied and complied with the code provisions set out 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, except for the deviation as stated in paragraph headed "Chairman and Chief Executive Officer" below.

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 of the Company. 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, 2009.

Board of Directors

Composition

The Board consists of five members, including two Executive Directors and three Independent Non-Executive Directors and the members of the Board as at the date of this annual report were:

Executive Directors

Mr. Cheung Wah Keung *(Chairman)* Mr. Wong Sau Lik, Weeky Peter

Independent Non-Executive Directors

Mr. Lai Ming, Joseph Dr. Lam King Sun, Frankie Mr. Goh Gen Cheung

Board of Directors (Continued)

Composition (Continued)

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 19 of this annual report. There is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All Independent Non-Executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the ratio between Executive Directors and Independent Non-Executive Directors is reasonable and appropriate. The Board also believes that the participation of Independent Non-Executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all shareholders and the Group are considered and safeguarded.

Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of resources as well as the effectiveness of its system of internal control.

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated from the Board to the management of the Company. In addition, an audit committee (the "Audit Committee") and a remuneration committee (the "Remuneration Committee") were set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the section headed "Board Committees" of this annual report.

Chairman and Chief Executive Officer

The CG Code provision A.2.1 stipulated that the roles of Chairman of the Board (the "Chairman") and Chief Executive Officer (the "CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

During the year and up to 31st July, 2009, Mr. Cheung Wah Keung was the Chairman, CEO and an Executive Director of the Company. Mr. Cheung resigned as CEO of the Company with effect from 1st August, 2009 and the Board appointed Mr. Wong Sau Lik, Weeky Peter, an Executive Director, as CEO of the Company with effect from 1st August, 2009. The Board considers that Mr. Wong Sau Lik, Weeky 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 CEO. Subsequent to the change, the roles of Chairman and CEO are vested in separate individuals and CG Code Provision A.2.1 is now fully complied with.

Board of Directors (Continued)

Independence of Independent Non-Executive Directors

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has appointed three Independent Non-Executive Directors, one of whom has appropriate professional qualification in accounting and financial management expertise. All Independent Non-Executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company and the Board considers that all Independent Non-Executive Directors have satisfied their independence of the Group.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against directors, officers and senior management arising out of corporate activities.

Board Meeting

The Board meets regularly and at least four times each year and additional meetings may be convened as and when necessary. During the meetings of the Board, Directors discussed and formulated the business policies and strategies, corporate governance and system of internal control, reviewed the interim and final business results and other relevant important matters. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media.

The company secretary of the Company (the "Company Secretary") assists the Chairman in setting the agenda for Board meetings and all Directors are given opportunities to include any matters for discussion in the agenda for regular Board meetings. Notice of Board meeting will be given to all Directors at least 14 days prior to the date of the regular Board meetings.

The Company Secretary is also responsible for ensuring that all applicable rules and regulations are followed. Draft minutes of Board meetings and meetings of the Board committees shall be circulated to all Directors for comment and approval as soon as practicable after the meetings. Minutes of Board meetings and meetings of Board committee are kept by the Company Secretary and all Board members shall be given a copy of the minutes for their record. Should a matter being considered which involve a potential conflict of interest of a Director, the Director involved in the transaction will be requested to leave the boardroom and abstain from voting. The matter will be discussed and resolved by other Directors. Policy is in place that Directors, upon reasonable request, may seek independent professional advice on issues related to the Group's business at the Company's expenses.

Board of Directors (Continued)

Board Meeting (Continued)

During the year, the number of Board and Board committees' meetings held and attended by each Director is as follows:

	Meetings Attended				
	Board	Audit Committee	Remuneration Committee		
Number of meetings held during the year	4	2	2		
Executive Directors					
Mr. Cheung Wah Keung	4	N/A	2		
Mr. Wong Sau Lik, Weeky Peter	4	N/A	N/A		
Mr. Ip Wai Cheong, Ernest*	1	N/A	N/A		
Independent Non-Executive Directors					
Mr. Lai Ming, Joseph	4	2	2		
Dr. Lam King Sun, Frankie	4	2	2		
Mr. Goh Gen Cheung	4	2	2		

^{*} Resigned on 27th May, 2009

Directors' Terms of Appointment

All Directors, including Independent Non-Executive Directors, are appointed for a term of three years and are subject to the requirement of retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

Nomination of Directors

The Company does not have a nomination committee.

The Board regularly reviews its structure, size and composition. The Company adopts a formal and transparent procedure for the appointment or re-election of Directors to the Board. The appointment of a new Director or re-election of Directors is a collective decision of the Board, taking into consideration the expertise, experience and integrity of that appointee.

During the year under review, the Board has approved the appointment of an Executive Director. The Board also considered the re-election of Directors, who retire according to Article 86(3) and Article 87 of the Articles of Association of the Company and separate resolutions had been proposed for the re-election of retired Directors at the annual general meeting of the Company held on 27th May, 2009.

Board Committees

The Board has established two committees, namely Audit Committee and Remuneration Committee with specific terms of reference.

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.

Regular attendees at the Audit Committee meetings include the Head of Finance and the external auditor. The Audit Committee meets with the external auditor without the presence of Company's management. The terms of reference of the Audit Committee follow the code provisions set out in the CG Code and are available on the website of the Company.

The Audit Committee held two meetings in 2009 with an attendance rate of 100%. Each meeting received written reports from the external auditor that deal with matters of significance arising from the work conducted since the previous meeting. During 2009, the work performed by the Audit Committee included:

- reviewing the consolidated financial statements for the year ended 31st December, 2008 and the annual results announcement:
- reviewing the interim consolidated financial statements for the six months ended 30th June, 2009 and the interim results announcement;
- reviewing the significant audit and accounting issues arising from the external auditor's audit;
- meeting with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the auditor might wish to raise;
- reviewing the development in accounting standards and the Group's response, including the preparation for adoption of Hong Kong Financial Reporting Standards;
- reviewing the Company's compliance with regulatory and statutory requirements;
- reviewing the Group's risk management processes; and
- reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee assesses the independence of the external auditor during the year through a series of questions and the external auditor also formally communicate to the Audit Committee their business relationship with the Group and any other independence matters. The annual results for the year ended 31st December, 2009 have been reviewed by the Audit Committee.

Board Committees (Continued)

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors, namely Dr. Lam King Sun, Frankie, Mr. Lai Ming, Joseph and Mr. Goh Gen Cheung and one Executive Director, namely Mr. Cheung Wah Keung. The Remuneration Committee is chaired by Dr. Lam King Sun, Frankie.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Executive Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The terms of reference of the Remuneration Committee follow the code provisions set out in the CG Code and are available on the website of the Company.

In order to be able to attract and retain staff of suitable calibre, the Group provides a competitive remuneration package. This comprises salary, housing and provident fund. Although the remuneration of these executives is not entirely linked to the profits of the Company or division in which they are working, it is considered that, given the volatility of various businesses within the Group, this has contributed considerably to the maintenance of a stable, motivated and high-calibre senior management team in the Company.

The Remuneration Committee met two times in the year 2009 with all committee members attended the meetings. During the meetings, the Remuneration Committee reviewed the remuneration packages for all Executive Directors and senior management, the employees' salary increments proposal. No member took part in voting about his own remuneration at the meeting.

Control Mechanisms

The Board acknowledges its responsibility in maintaining a sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Company at all times.

Audit and Internal Control

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Company's internal controls is independently conducted by the management on an on-going basis.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Company and its subsidiaries for the year ended 31st December, 2009 and that they consider such system to be reasonably effective and adequate. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

Directors' Responsibility for the Consolidated Financial **Statements**

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Company for the year ended 31st December, 2009 and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such consolidated financial statements.

The statement of the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 26 to 27 of this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern.

Auditor's Remuneration

For the year ended 31st December, 2009, services provided to the Company by its external auditor, Messrs. Deloitte Touche Tohmatsu, and the respective fees paid were:

	2009	2008
	HK\$	HK\$
Audit services	1,172,000	1,300,000
Other non-audit services	360,000	395,000

Investor Relations and Communication with Shareholders

The Company regards transparent reporting as an essential element in building successful relationships with its shareholders.

The Company always seeks to provide relevant information to current and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. This is part of a continuous communication program that encompasses meetings and announcements to the market as well as periodic written reports in the form of preliminary announcement of results and interim and annual reports. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports.

The Company also maintains a corporate website on which comprehensive information about the Group is provided.

The Company continues to promote and enhance investor relations and communication with its investors. Regular meetings are also held with institutional investors and research analysts to provide them with timely updates on the Group's latest business developments and non-price sensitive information. These activities keep the public informed of the Group's activities and foster effective communications.

The Company is committed to ensuring that it is fully compliant with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

Board of Directors

Executive Directors

Mr. Cheung Wah Keung, aged 49, has been a director of Shinhint Industries Limited, an indirect wholly owned subsidiary of the Company, since August 1992. He has been the Chairman and an Executive Director of the Company since May 2005 and is responsible for formulating the overall strategic direction of the Group. Mr. Cheung has over 18 years of experience in management of trading and manufacture of consumer electronic products. He obtained a Bachelor degree in Business Administration from the Chinese University of Hong Kong and a Master degree in Corporate Governance from The Hong Kong Polytechnic University. Mr. Cheung has been elected an awardee of the Young Industrialist Awards of Hong Kong 2005 by the Federation of Hong Kong Industries. Mr. Cheung is an independent non-executive director of Rainbow Brothers Holdings Limited, whose shares are listed on the Stock Exchange. He is also a director of Pro Partner Developments Limited, a substantial shareholder of the Company.

Mr. Wong Sau Lik, Weeky Peter, aged 47, has been an Executive Director and CEO since 23rd March, 2009 and 1st August, 2009 respectively. Mr. Wong is responsible for the overall implementation of corporate strategies of the Group. Mr. Wong has over 23 years of working experience in international sales and marketing, of which more than 10 years of experience are in corporate management. He holds a Master degree in Business Administration (Executive) from the City University of Hong Kong and a Higher Diploma in Mechanical Engineering from The Hong Kong Polytechnic University, formerly The Hong Kong Polytechnic. Mr. Wong has been elected an awardee of the Young Industrialist Awards of Hong Kong 2001 by the Federation of Hong Kong Industries. Prior to joining the Company and until October 2005, Mr. Wong was an executive director of Fujikon Industrial Holdings Limited overseeing the implementation of corporate strategy and overall business development.

Independent Non-Executive Directors

Mr. Lai Ming, Joseph, aged 65, has been an Independent Non-Executive Director of the Company since June 2005. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia and the Chartered Institute of Management Accountants ("CIMA") and the Hong Kong Institute of Directors. He cofounded the Hong Kong Centre of CIMA in 1973 and was the president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. He is also an adviser to the Corporate Governance Committee of CPA Australia Hong Kong China Division.

Until retirement in 2004, Mr. Lai served several Hong Kong listed companies in key management positions with particular emphasis on corporate finance and organization and management information. He is an independent non-executive director of Jolimark Holdings Limited, Dynasty Fine Wines Group Limited, Guangzhou R&F Properties Co., Limited and Country Garden Holdings Company Limited, all of which are companies whose shares are listed on the Stock Exchange.

Mr. Lai is also a director of Hong Kong University of Science and Technology R and D Corporation Limited. He is also independent non-executive directors of Chen's Holdings Limited and Sheng Fung Company, Limited.

Board of Directors (Continued)

Independent Non-Executive Directors (Continued)

Dr. Lam King Sun, Frankie, aged 49, has been an Independent Non-Executive Director of the Company since June 2005. He has over 22 years of experience in human resources and general management. Dr. Lam earned his Ph. D. degree and Master of Science degree from Purdue University in the USA in August 1986 and December 1985 respectively, and Bachelor and Master of Arts degrees from the University of North Texas in December 1982 and August 1983 respectively. Dr. Lam is a Fellow of the Hong Kong Institute of Director, and a Fellow of the Hong Kong Institute of Human Resource Management.

Mr. Goh Gen Cheung, aged 63, has been an Independent Non-Executive Director of the Company since June 2005. Mr. Goh has over 30 years of experience in the field of treasury, finance and banking in Hong Kong and the Asia Pacific Region. Mr. Goh is an associate member of the Institute of Bankers and obtained a Master's degree in Business Administration from the University of East Asia in Macau in February 1987.

Mr. Goh is an independent non-executive director of Beijing Properties (Holdings) Limited (formerly known as Peaktop International Holdings Limited) and CEC International Holdings Limited, both of which are companies whose shares are listed on the Stock Exchange. He was also an independent non-executive director of Karce International Holdings Company Limited and China Flavors and Fragrances Company Limited until 8th February, 2009 and 16th December, 2009 respectively.

Senior Management

Dr. Ching Boon Huat, aged 49, joined the Group in July 2006 and is the Chief Operating Officer of the Company responsible for the manufacturing operation. Prior to joining the Group, he worked in Sharp-Roxy Corp (M) Sdn Bhd, an overseas production base of Sharp Corporation Japan, for 19 years and had taken management responsibilities in areas of purchasing, materials management, and manufacturing operation management. Dr. Ching earned his Doctor of Business Administration degree from University of South Australia in 2004 and Master of Business Administration degree from University Science of Malaysia in 1995. He also holds a Bachelor of Social Science (Honours) degree in Management from the University Science of Malaysia in 1985.

Ms. Cheng Ching Man, aged 42, joined the Group in April 2007 as Chief Financial Officer. She is responsible for the overall financial control, treasury management, human resources, administration and information technology functions of the Group. Ms. Cheng is a graduate of The Hong Kong Polytechnic University, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She has over 21 years of experience in auditing, accounting and corporate financial management.

Mr. Chan Yick Fung, aged 43, joined the Group in April 2005 and is the Chief Technical Officer of the Company. Mr. Chan received a Bachelor of Science degree in electronic engineering, a Postgraduate Certificate in Business Administration and a Master's degree in Business Administration from the City University of Hong Kong in November 1989, December 1996 and November 2003 respectively.

Senior Management (Continued)

Mr. Yue Kam Fai, Stanedy, aged 42, joined the Group in January 2008 and is the director of business development of Tai Sing Industrial Company Limited ("Tai Sing"), an indirect wholly owned subsidiary of the Company. Prior to joining the Group, he worked in Wal-Mart Global Procurement, Philips Electronics HK Limited, Elec & Eltek and Wong's Circuits (PTH) Limited. Mr. Yue graduated from The Hong Kong Polytechnic University with Distinction in Higher Diploma in Chemical Technology in 1991. He is a qualified European Foundation of Quality Management (EFQM) assessor and Lead assessor on Philips Supplier Certification Program.

Mr. Tang Chung Hong, Philip, aged 49, joined the Group in July 1996 and is the director of business development of Tai Sing. Prior to taking up his current position, Mr. Tang had been responsible for sourcing of raw materials and management of purchase orders in support of the sales and marketing division of the Group.

Mr. Leung Yiu San, Ronson, aged 47, joined the Group in November 2009 and is the director of product marketing of Tai Sing. He has over 20 years of sales and marketing experience in related industries. Mr. Leung received his Bachelor of Social Sciences degree from the University of Hong Kong in 1984 and Master of Science degree from the London School of Economics and Political Science in 1991.

Mr. Lo Ka Shun, aged 46, joined the Group in August 2008 and is the director of product development of Tai Sing. Prior to joining the Group, he worked in Logitech Group responsible for project management and engineering functions. He has over 21 years experience in project management, finished goods sourcing and supplier basis management, mechanical design and industrial engineering. Mr. Lo earned a Bachelor of Science degree in engineering from the National Taiwan University and a Master of Science degree in precision engineering from The Hong Kong Polytechnic University in 1988 and 1996 respectively.

Mr. Cheong Lik Ming, aged 38, joined the Group in April 2005 and is the director of technology and research of Tai Sing. Mr. Cheong has 15 years of experience as an engineering professional focused primarily on wireless communication and embedded system designs. He has served in various positions with extensive experience in product development and engineering management during his career. He received his Bachelor of Engineering and Master of Philosophy in Electronic Engineering degrees from the Chinese University of Hong Kong in 1993 and 1995 respectively.

Mr. Kam Ho Sum, aged 44, joined the Group in March 2010 and is the director of quality of Tai Sing. Mr. Kam has over 20 years of experience in quality management in different industrial fields. He obtained a Master of Science degree in Project Management from the University of Management and Technology in 2006.

Mr. Wang Dong, aged 51, joined the Group in 1997 and is the director of Tai Sing responsible for plastic and tooling production. Prior to joining the Group, he worked for a sino-foreign equity joint venture incorporated in the PRC for 4 years where he was responsible for production operation. Mr. Wang obtained a Diploma in physics from Huazhong Normal University, the PRC.

Senior Management (Continued)

Mr. Su Zhiyong, aged 38, joined the Group in 1994 and is the director of Tai Sing responsible for production, engineering, and human resources and administration. Mr. Su graduated from the University of Continuing Education of the Guangdong Provincial Party School majoring in administration and management in 2000 and graduated from the Advance Level Research Class, Selected Course of the MBA for Managers in Office of Sun Yat-Sen University in 2003.

Mr. Liang Hao, aged 33, joined the Group in September 1999 and is the director of Tai Sing responsible for supply chain management. Mr. Liang has over 10 years of experience in logistic operation and raw materials sourcing management. Mr. Liang graduated from the South China University of Technology in July 1999.

Mr. Leung Chi Keung, Frederick, aged 49, joined the Group in September 1995 and is the director of business development of Crown Million Industries (International) Limited ("Crown Million"), an indirectly wholly owned subsidiary of the Company. Mr. Leung has approximately 13 years of experience in business development and production management. Mr. Leung obtained a Bachelor of Business (Business Administration) degree from Royal Melbourne Institute of Technology in Australia in December 2002.

Mr. Wu Chi Keung, aged 50, joined the Group in March 2010 and is the director of operations of Crown Million. Mr. Wu received a Bachelor of Science degree in Electronic Engineering from the University of Essex in 1987, a Postgraduate Diploma in Management Studies and a Master degree in Business Administration from the City University of Hong Kong in 1992 and 2005 respectively.

The directors of the Company (the "Directors") are pleased to present to the shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31st December, 2009.

Principal Activities

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 33 to the consolidated financial statements.

Results and Appropriations

The results for the year ended 31st December, 2009 are set out in the consolidated income statement on page 28.

An interim dividend of HK1.2 cents per share was paid during the year. The Directors have recommended the payment of a final dividend of HK4.3 cents and a special dividend of HK1.8 cents in cash per share, to the shareholders on the register of members on 18th May, 2010, amounting to a total of HK7.3 cents in cash per share for the year.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

Material Investment and Acquisition

During the reporting period, the Group had no significant investment and acquisition activities.

Bank Borrowings

Details of the bank borrowings of the Group as at 31st December, 2009 are set out in note 23 to the consolidated financial statements.

Property, Plant and Equipment

Movements in property, plant and equipment during the year and details of the Group's property, plant and equipment are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Cheung Wah Keung (Chairman)

Mr. Wong Sau Lik, Weeky 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

In accordance with Article 87 of the Company's Articles of Association, Mr. Cheung Wah Keung and Mr. Lai Ming, Joseph will retire by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

None of the Directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 31st December, 2009, the interests and short positions of each Director and chief executive 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 (the "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	47.48%
	Beneficial owner	6,156,000	1.91%

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.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

Save as disclosed above, as at 31st December, 2009, none of the Directors and 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

A summary of the share option scheme is set out in note 25 to the consolidated financial statements. No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the share option scheme during the year ended 31st December, 2009.

Substantial Shareholders' Interests

As at 31st December, 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	49.39%
Martin Currie (Holdings) Limited ⁽³⁾	Interest of controlled corporations	42,076,000	13.09%
David Michael Webb ⁽⁴⁾	Beneficial owner and interest of a controlled corporation	19,872,000	6.18%

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.

Substantial Shareholders' Interests (Continued)

Notes: (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 the 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.

Save as disclosed above, as at 31st December, 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.

Directors' Interests in Contracts of Significance

There is no contract of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 31 to the consolidated financial statements and such related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

Competing Interest

None of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

Remuneration Policy

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of the individuals' merit, qualifications and competence.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, made recommendations to the Board for all remuneration of the Executive Directors and senior management of the Company.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 25 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Securities

During the year, the Company had repurchased a total of 748,000 shares of HK\$0.01 each of the Company on the Stock Exchange at an aggregate purchase price of HK\$550,400. All of the shares repurchased had been cancelled during the year. Details of the repurchases are set out below:

	Purchase price						
	Number of shares	per :	Aggregate				
Month of repurchase	repurchased	Highest	Lowest	purchase price			
		HK\$	HK\$	HK\$			
September	196,000	0.74	0.72	141,920			
October	552,000	0.74	0.74	408,480			

The repurchases were made by the Directors, pursuant to the mandate granted by the shareholders, with a view to benefit the Company and the shareholders as a whole in the enhancement of the net assets per share and earnings per share.

Save as disclosed above, 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, 2009.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

Major Customers and Suppliers

For the year ended 31st December, 2009, the five largest customers accounted for approximately 93% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 54% of the Group's total turnover.

For the year ended 31st December, 2009, the five largest suppliers accounted for approximately 20% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 6% of the Group's total purchase.

None of the Directors, their associate or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, basing on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

A resolution will be submitted to the annual general meeting to reappoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Cheung Wah Keung

Chairman

Hong Kong, 1st April, 2010

Independent Auditor's Report

Deloitte.

德勤

TO THE MEMBERS OF SHINHINT ACOUSTIC LINK HOLDINGS LIMITED

成謙聲匯控股有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shinhint Acoustic Link Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 82, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

Auditor's responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche TohmatsuCertified Public Accountants

Hong Kong

1st April, 2010

Consolidated Income Statement

For the year ended 31st December, 2009

	Notes	2009	2008
		HK\$'000	HK\$'000
Revenue	7	1,031,122	1,359,491
Cost of sales	/	(893,555)	(1,207,822)
Cost of sales		(893,333)	(1,207,822)
Gross profit		137,567	151,669
Other income	8	908	2,296
Selling and distribution costs		(17,661)	(23,038)
Administrative expenses		(85,462)	(87,589)
Other expenses and losses		(8,492)	(9,765)
Finance costs	9	(29)	(271)
Profit before taxation	10	26,831	33,302
Taxation	11	(2,723)	(4,951)
Profit for the year		24,108	28,351
Profit for the year attributable to:			
– Owners of the Company		26,314	31,391
– Minority interests		(2,206)	(3,040)
		24,108	28,351
Earnings per share	14		
Basic (HK dollar)		0.08	0.10

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

Profit for the year
Other comprehensive income
Exchange differences arising on translation of foreign operations
Other comprehensive income for the year
Total comprehensive income for the year
Total comprehensive income attributable to: – Owners of the Company – Minority interests

2009 HK\$'000	2008 HK\$'000
24,108	28,351
34	655
34	655
24,142	29,006
26,348	32,046
(2,206)	(3,040)
24,142	29,006

Consolidated Statement of Financial Position

At 31st December, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Non-current Assets			
Property, plant and equipment	15	66,644	81,605
Intangible assets	16	978	6,371
Rental deposits		589	_
Deposits for acquisition of property,			
plant and equipment		401	_
		68,612	87,976
Current Assets			
Inventories	17	77,856	139,834
Trade debtors, deposits and prepayments	18	297,965	354,335
Tax recoverable		-	946
Bank balances and cash	19	143,835	110,436
		519,656	605,551
Current Liabilities			
Trade creditors and accrued charges	20	222,327	315,393
Bills payable	21		7,077
Tax liabilities		183	-
Obligations under finance leases			
– due within one year	22	44	523
Bank borrowings – due within one year	23	20,000	30,167
		242,554	353,160
Net Current Assets		277,102	252,391
Total Assets less Current Liabilities		345,714	340,367

Consolidated Statement of Financial Position

At 31st December, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Capital and Reserves			
Share capital	24	3,215	3,222
Reserves		339,125	331,048
Equity attributable to owners of the Company		342,340	334,270
Minority interests		-	2,206
Total Equity Non-current Liabilities		342,340	336,476
Obligations under finance leases			
due after one year	22	-	44
Deferred tax liabilities	26	3,374	3,847
		3,374	3,891
		345,714	340,367

The consolidated financial statements on pages 28 to 82 were approved and authorised for issue by the Board of Directors on 1st April, 2010 and are signed on its behalf by:

Cheung Wah Keung

DIRECTOR

Wong Sau Lik, Weeky Peter DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Exchange reserve HK\$'000		Total equity attributable to owners of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2008	3,305	94,030	4,950		963	219,686	322,934		322,934
Other comprehensive income for the year Profit for the year	- - -	- - -	- -	<u>-</u>	655	31,391	655 31,391	(3,040)	655 28,351
Total comprehensive income for the year					655	31,391	32,046	(3,040)	29,006
Repurchase of shares Shares repurchase expenses	(83)	(3,758) (13)	- -	- -	- -	-	(3,841) (13)	-	(3,841) (13)
Final dividend paid in respect of 2007 (note 13) Interim dividend paid in	-	-	-	-	-	(12,890)	(12,890)	-	(12,890)
respect of 2008 (note 13) Contribution from	-	-	-	-	-	(3,966)	(3,966)	-	(3,966)
minority shareholders								5,246	5,246
At 31st December, 2008	3,222	90,259	4,950		1,618	234,221	334,270	2,206	336,476
Other comprehensive income for the year Profit for the year	- - -	- - -		<u>-</u>	34	26,314	34 26,314	(2,206)	34 24,108
Total comprehensive income for the year					34	26,314	26,348	(2,206)	24,142
Repurchase of shares Shares repurchase expenses	(7)	(543) (2)	-	-	-	-	(550) (2)	-	(550) (2)
Final dividend paid in respect of 2008 (note 13) Interim dividend paid in	-	-	-	-	-	(13,859)	(13,859)	-	(13,859)
respect of 2009 (note 13) Transfer	- -		- -	244		(3,867) (244)	(3,867)		(3,867)
At 31st December, 2009	3,215	89,714	4,950	244	1,652	242,565	342,340		342,340

Note:

- (a) Special reserve represents the difference between the nominal value of the entire issued share capital of Shinhint Industries Limited and the aggregate nominal value of the shares issued by the Company pursuant to the group reorganisation in 2005.
- (b) Statutory reserve represents general reserve fund required to be set up pursuant to the relevant People's Republic of China ("PRC") laws applicable to the Group's subsidiary in the PRC.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	2009	2008
	HK\$'000	HK\$'000
Operating activities		
Profit before taxation	26,831	33,302
Adjustments for:		
Finance costs	29	271
Depreciation	19,521	18,450
Amortisation of intangible assets	449	_
Impairment loss recognised in respect of intangible assets	4,944	_
Impairment loss recognised on trade debtors	95	_
Write down of inventories	4,900	3,135
Interest income	(170)	(1,628)
Loss on disposal of property, plant and equipment	452	211
Operating cash flows before movements in working capital	57,051	53,741
Decrease (increase) in inventories	57,078	(1,601)
Decrease in trade debtors, deposits and prepayments	56,275	11,563
Decrease in trade creditors and accrued charges	(93,066)	(87,857)
(Decrease) increase in bills payable	(7,077)	2,643
Deposit paid for rental deposits	(589)	_
Cash generated from (used in) operations	69,672	(21,511)
Hong Kong Profits Tax paid	(2,067)	(6,895)
Net cash from (used in) operating activities	67,605	(28,406)
net tash nom (asea m) operating activities		
Laurantia a la anticinia		
Investing activities	(F 041)	(24.070)
Purchase of property, plant and equipment Proceeds on disposal of property, plant and equipment	(5,041) 42	(24,970) 222
Interest received		
Additions of intellectual property	170	1,628 (148)
Deposits paid for acquisition of property, plant and equipment	(401)	(140)
beposits paid for acquisition of property, plant and equipment		
Net cash used in investing activities	(5,230)	(23,268)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	2009 HK\$'000	2008 HK\$'000
Financing activities		
Repayment of obligations under finance leases	(523)	(502)
Payment for repurchase of shares	(550)	(3,841)
Shares repurchase expenses	(2)	(13)
New bank borrowings raised	53,800	56,000
Repayment of bank borrowings	(63,967)	(39,998)
Contribution from minority shareholders	-	1
Dividends paid	(17,726)	(16,856)
Interest paid	(29)	(271)
Net cash used in financing activities	(28,997)	(5,480)
Net increase (decrease) in cash and cash equivalents	33,378	(57,154)
Effect of foreign exchange rate changes	21	318
Cash and cash equivalents at beginning of the year	110,436	167,272
Cash and cash equivalents at end of the year, representing bank balances and cash	143,835	110,436

For the year ended 31st December, 2009

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 ("SEHK"). 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 Company and its subsidiaries (together referred to as the "Group") and are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 33.

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

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

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	Embedded Derivatives
(Amendments)	
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
HK(IFRIC) – Int 18	Transfers of Assets to Customers
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

For the year ended 31st December, 2009

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

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in format and content of financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 7).

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 required.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Right Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures
	for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-Based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) - INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

- ¹ Effective for annual periods beginning on or after 1st July, 2009
- Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
- Effective for annual periods beginning on or after 1st January, 2010
- Effective for annual periods beginning on or after 1st February, 2010
- ⁵ Effective for annual periods beginning on or after 1st July, 2010
- ⁶ Effective for annual periods beginning on or after 1st January, 2011
- ⁷ Effective for annual periods beginning on or after 1st January, 2013

For the year ended 31st December, 2009

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the 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 impact on the financial performance and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on SEHK and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of returns and allowances.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Club membership

Club membership with indefinite useful life is carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on non-current assets below).

Intellectual property

Intellectual property contributed by equity holders and with finite useful lives are carried at fair value at the date of contribution less accumulated amortisation and any accumulated impairment losses (see accounting policy in respect of impairment losses on non-current assets below). Amortisation for intangible assets with finite lives is provided on a straight-line basis over their estimated useful lives.

Gain or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss in the period when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade debtors and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

Financial liabilities including trade creditors and accrued charges, bills payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment losses on non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation which is also a financial liability of the Group. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (exchange reserve).

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to the defined contribution retirement benefit plans, including stated-managed retirement schemes and mandatory provident fund scheme ("MPF Scheme"), are charged as an expense when employees have rendered service entitling them to the contributions.

Equity settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

For the year ended 31st December, 2009

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of intellectual property

At 31st December, 2009, the Group recognised impairment losses of HK\$4,944,000 (2008: nil) in respect of intellectual property based on a calculation of value in use of intellectual property. Determining whether intellectual property is impaired requires an estimation of the value in use of the intellectual property. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the intellectual property and a suitable discount rate in order to calculate the present value. Where the actual cash flows is different from the original estimate, a material change in the amount of impairment may arise.

As at 31st December, 2009, the carrying value of intellectual property is nil (2008: HK\$5,393,000).

For the year ended 31st December, 2009

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In addition, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes the borrowings disclosed in note 23) and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and retained profits.

6. FINANCIAL INSTRUMENTS

At amortised cost

a. Categories of financial instruments

Financial assets
Loans and receivables (including cash
and cash equivalents)
Financial liabilities

2009	2008
HK\$'000	HK\$'000
435,902	455,523
	.557525
236,561	352,637

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other debtors, bank balances, trade creditors and accrued charges, bills payable, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

For the year ended 31st December, 2009

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group's exposure in the interest rate risk arises from the cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 19 and 23). The Group keeps its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollars denominated borrowings.

Sensitivity analysis is not presented as the management considers that the Group's exposure to interest rate fluctuations is insignificant.

(ii) Currency risk

Certain transactions of several subsidiaries are denominated in foreign currencies which are different from the functional currency of the respective subsidiaries. Any change in the exchange rates of these foreign currencies to functional currencies will impact to the Group's financial results.

The carrying amounts of the foreign exchange risk arising from foreign currency denominated monetary financial assets and liabilities in the statements of financial position are as follows:

	Assets		Liabi	lities
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	55,261	13,621	34,420	50,747
USD	360,911	366,400	62,580	98,846

For the year ended 31st December, 2009

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk (Continued)

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. The management will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

As Hong Kong dollars is currently pegged to United States dollars, the management considers that the exposure to exchange fluctuation in respect of United States dollars is limited.

The following table details the Group's sensitivity to a 6% (2008: 6%) increase and decrease in Renminbi against Hong Kong dollars. The sensitivity rate of 6% (2008: 6%) is used by the management for the assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 6% (2008: 6%) change in foreign currency rate. A positive number of the net impact indicates an increase in post-tax profit for the year where Renminbi strengthen against Hong Kong dollars. For a 6% (2008: 6%) weakening of Renminbi against Hong Kong dollars, there would be an equal and opposite impact on the profit for the year.

Impact	of RMB
2009	2008
HK\$'000	HK\$'000
1,157	(1,975)

Increase/(decrease) in profit for the year

The sensitivity analysis above represents the exposure of the foreign exchange risk arising from foreign currency denominated monetary financial assets and liabilities at the year end only. In management's opinion, the sensitivity analysis above may not be representative exposure for the year.

For the year ended 31st December, 2009

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31st December, 2009, the Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the end of financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade debtors. The Group is exposed to concentration of credit risk as a substantial portion of its trade debtors is generated from a limited number of customers. The top five customers of the Group accounted for about 90% (2008: 95%) of the Group's trade debtors as at 31st December, 2009. The Group manages its credit risk by closely monitoring the granting of credit period and credit limit and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparts are banks with high creditratings.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other debtors are set out in note 18.

Liquidity risk

The Group regularly monitors its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate credit lines from banks to meet its liquidity requirements in the short and longer term. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. As at 31st December, 2009, the Group had available unutilised overdraft and short-term bank loan facilities of approximately HK\$35,000,000 (2008: HK\$81,923,000). Details of which are set out in note 23.

For the year ended 31st December, 2009

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average					Total	Carrying
	effective	0 to 3	3 to 4	4 months		undiscounted	amount at
2009	interest rate	months	months	to 1 year	Over 1 year	cash flows	31/12/2009
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-interest bearing Variable interest rate	-	215,579	895	87	-	216,561	216,561
instruments Obligations under	1.10	20,004	-	-	-	20,004	20,000
finance leases	3.23	44				44	44
		235,627	895	87		236,609	236,605
	Weighted						
	average					Total	Carrying
	effective	0 to 3	3 to 4	4 months		undiscounted	amount at
2008	interest rate	months	months	to 1 year	Over 1 year	cash flows	31/12/2008
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-interest bearing Variable interest rate	-	305,022	9,660	7,788	-	322,470	322,470
instruments Obligations under	1.25	28,933	141	1,121	-	30,195	30,167
finance leases	3.82	134	44	357	45	580	567
		334,089	9,845	9,266	45	353,245	353,204

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

For the year ended 31st December, 2009

6. FINANCIAL INSTRUMENTS (Continued)

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow.

The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. 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.

Segment 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. For the year ended 31st December, 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 products previously aggregated in the segment "Others" are reallocated to respective reportable segments under HKFRS 8 as they are included in the respective reportable segments in the internal reports that are regularly reviewed by the chief operating decision maker. Amounts reported for the prior period have been restated.

For the year ended 31st December, 2009

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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.

In addition, others include miscellaneous parts and accessories.

For the year ended 31st December, 2009

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

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	146,624	521,473	168,173	162,226	32,626	1,031,122
RESULT						
Segment result	18,649	1,730	206	7,205	1,608	29,398
Unallocated other income						908
Unallocated expenses						(3,446)
Finance costs						(29)
Profit before taxation						26,831
Taxation						(2,723)
Profit for the year						24,108
Other information						
	Communication	Portable	Desktop	Speaker		
	peripheral HK\$'000	audio HK\$'000	audio HK\$'000	drivers HK\$'000	Others HK\$'000	Total HK\$'000
Amounts included in the me	easure of segment pro	fit:				
Depreciation and amortisati	on 2,854	11,359	3,718	1,408	631	19,970
Impairment loss on intangib assets recognised in incor	le			-		
statement	-	4,944	-	-	-	4,944
Loss on disposal of property	/,					
plant and equipment	63	195	57	126	11	452
Write down of inventories	533	2,865	544	852	106	4,900
Impairment loss on trade						
receivables recognised in						
income statement	-	95	-	-	-	95

For the year ended 31st December, 2009

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	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	162,218	694,815	355,263	102,168	45,027	1,359,491
RESULT						
Segment result	14,297	10,674	4,483	3,557	299	33,310
Unallocated other income Unallocated expenses Finance costs						2,296 (2,033) (271)
Profit before taxation Taxation						33,302 (4,951)
Profit for the year						28,351
Other information						
	Communication	Portable	Desktop	Speaker		
	peripheral HK\$'000	audio HK\$'000	audio HK\$'000	drivers HK\$'000	Others HK\$'000	Total HK\$'000
Amounts included in the mea	sure of segment pro	fit:				
Depreciation Loss on disposal of property,	2,209	9,921	5,276	726	318	18,450
plant and equipment	25	116	64	-	6	211
Write down of inventories	364	1,721	949	-	101	3,135

For the year ended 31st December, 2009

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Segment result represents the profit earned by each segment without allocation of finance costs, unallocated expenses, other income 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.

The Netherlands
United States of America
PRC
Other countries

external	ue from customers ended	Non-curre	ent assets
2009	2008	2009	2008
HK\$'000	HK\$'000	HK\$'000	HK\$'000
337,648	485,884	-	_
286,087	407,140	-	_
126,589	50,731	68,612	82,583
280,798	415,736	-	5,393
1,031,122	1,359,491	68,612	87,976

For the year ended 31st December, 2009

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Information about major customers

Included in revenues arising from sales of communication peripheral, portable audio and desktop audio are revenues of approximately HK\$556 million (2008: HK\$915 million) and HK\$158 million (2008: HK\$158 million) respectively which arose from sales to the Group's two major customers which individually accounted for over 10% of the Group's revenue for the year. Sales of portable audio and speaker drivers to another major customer of approximately HK\$174 million (2008: HK\$168 million) also accounted for over 10% the Group's revenue for the year.

8. OTHER INCOME

Bank interest income Sundry income

	_
2009	2008
HK\$'000	HK\$'000
170	1,628
738	668
908	2,296

9. FINANCE COSTS

Finance charges on obligations under finance leases Interest on bank borrowings wholly repayable within five years

2009	2008
HK\$'000	HK\$'000
8	34
8	237
29	271

For the year ended 31st December, 2009

10. PROFIT BEFORE TAXATION

	2009	2008
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,172	1,300
Cost of inventories recognised as an expense including		
write down of inventories of HK\$4,900,000		
(2008: HK\$3,135,000)	893,555	1,207,822
Depreciation		
Owned assets	19,357	18,286
Assets held under finance leases	164	164
	19,521	18,450
Amortisation of intangible assets (included in cost of sales)	449	-
Impairment loss recognised in respect of intangible assets		
(included in other expenses and losses)	4,944	-
Net exchange loss (included in other expenses and losses)	238	4,175
Staff costs		
Directors' emoluments (note 12)	4,870	4,275
Retirement benefit scheme contributions (note 30)	2,490	2,421
Other staff costs	124,708	143,598
Total staff costs	132,068	150,294
Operating lease rentals in respect of rented premises	4,906	5,298
Other rental expenses	9,527	9,121
Research and development costs (included in other		
expenses and losses)	3,310	5,590
Impairment loss recognised on trade debtors	95	_
Loss on disposal of property, plant and equipment	452	211

For the year ended 31st December, 2009

11. TAXATION

The charge comprises:
Hong Kong Profits Tax Current taxation Overprovision in prior years
Deferred taxation (note 26) Current year Attributable to change in tax rate

2009	2008
HK\$'000	HK\$'000
·	·
4,032	5,525
(836)	(724)
3,196	4,801
3,130	4,001
(473)	361
(4/3)	
	(211)
(473)	150
	_
2,723	4,951

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. 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, certain PRC subsidiaries of the Group are exempted from PRC Enterprise Income Tax and the local income tax for two years starting from their first profit-making year, or the year ended 31st December, 2008, whichever is earlier and are granted a 50% relief for the following three years. No provision for PRC Enterprise Income Tax and the local income tax has been made in the consolidated financial statements as all of the PRC subsidiaries either have no assessable profits arising in the PRC or were exempted from PRC Enterprise Income Tax and the local income tax during the current and prior years.

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules promulgated on 16th March, 2007 and 6th December, 2007 respectively, for those subsidiaries without preferential tax rates, the new tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1st January, 2008.

For the year ended 31st December, 2009

11. TAXATION (Continued)

A subsidiary is engaged in typical processing arrangement with a PRC processing factory during the year. As 50% of its assessable profits were attributable to its manufacturing operation in the PRC, the subsidiary filed Hong Kong Profits Tax at 50:50 basis. Accordingly, 50% of its assessable profits were offshore in nature and non-taxable.

Pursuant to the PRC Enterprise Income Tax Law and its detailed implementation rules, distribution of the profits earned by the PRC subsidiaries since 1st January, 2008 shall be subject to PRC withholding tax. Deferred tax liability in respect of the withholding tax on the undistributed earnings of the Group's PRC subsidiary during the year has been provided at the applicable tax rate of 5%.

Taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2009 HK\$'000	2008 HK\$'000
Profit before taxation	26,831	33,302
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	4,427	5,495
Tax effect of expenses not deductible for tax purpose Tax effect of income not taxable for tax purpose	905 (27)	1,300 (11)
Overprovision in respect of prior years Tax effect of tax losses not recognised	(836) 1,533	(724) 1,024
Effect of tax relief granted to a subsidiary Decrease in opening deferred tax liability resulting from	(2,350)	(2,479)
a decrease in applicable tax rate	-	(211)
Effect of tax exemption granted to a PRC subsidiary Withholding tax on undistributed earnings of a PRC	(1,841)	_
subsidiary (note 26) Others	127 785	- 557
Others		
Taxation for the year	2,723	4,951

For the year ended 31st December, 2009

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

The emoluments paid or payable to each of the six (2008: six) directors were as follows:

		Wong						
	Cheung	Sau Lik,	Ip Wai				Lam	
	Wah	Weeky	Cheong,	Wang	Goh Gen	Lai Ming,	King Sun,	
	Keung	Peter	Ernest	Dong	Cheung	Joseph	Frankie	Total
		(note b)	(note c)	(note d)				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2009								
Fees	-	-	-	-	250	250	250	750
Other emoluments								
Salaries and other								
benefits	1,898	1,108	563	-	-	-	-	3,569
Bonus (note a)	331	193	-	-	-	-	-	524
Retirement benefit								
scheme								
contributions	12	10	5					27
	2,241	1,311	568	_	250	250	250	4,870
2008								
Fees	-	-	-	-	245	245	245	735
Other emoluments								
Salaries and other								
benefits	1,898	-	1,350	215	-	-	-	3,463
Bonus (note a)	-	-	53	-	-	_	-	53
Retirement benefit								
scheme								
contributions	12		12					24
	1,910	_	1,415	215	245	245	245	4,275

Notes: (a) The performance related incentive payment is determined by reference to the financial performance of the Group and the performance of the individual director for the two years ended 31st December, 2009 and 31st December, 2008 respectively.

⁽b) Wong Sau Lik, Weeky Peter was appointed as a director on 23rd March, 2009.

⁽c) Ip Wai Cheong, Ernest resigned as a director on 27th May, 2009.

⁽d) Wang Dong resigned as a director on 11th May, 2008.

For the year ended 31st December, 2009

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees

Of the five individuals with the highest emoluments in the Group, two (2008: two) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2008: three) individuals were as follows:

Salaries and other benefits Bonus Retirement benefit scheme contributions

2009	2008
HK\$'000	HK\$'000
3,525	3,837
681	147
24	24
4,230	4,008

Their emoluments were within the following bands:

HK\$1,000,001 to HK\$1,500,000 HK\$1,500,001 to HK\$2,000,000

1
2008
Number of
employees
3

During both years, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

For the year ended 31st December, 2009

13. DIVIDENDS

Dividend recognised as distribution during the year: Interim dividend paid in respect of 2009 of HK1.2 cents (2008: HK1.2 cents in respect of 2008) per share Final dividend paid in respect of 2008 of HK4.3 cents (2008: HK3.9 cents in respect of 2007) per share

2009	2008
HK\$'000	HK\$'000
3,867	3,966
42.050	43.000
13,859	12,890
17,726	16,856

The final dividend of HK4.3 cents (2008: HK4.3 cents) per share and the special dividend of HK1.8 cents (2008: nil) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

2009 HK\$'000	2008 HK\$'000
26,314	31,391
'000	'000
322,113	329,053
	26,314 '000

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

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15. PROPERTY, PLANT AND EQUIPMENT

			Furniture, fixtures and			
	Plant and		office	Leasehold	Motor	
	machinery	Moulds		improvements	vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST						
At 1st January, 2008	107,653	897	24,917	21,857	3,192	158,516
Additions	18,158	5	5,133	1,500	174	24,970
Disposals	(1,356)	(28)	(655)	(3,347)	_	(5,386)
Exchange adjustments	134		96	128		358
At 31st December, 2008	124,589	874	29,491	20,138	3,366	178,458
Additions	1,721	413	624	1,708	575	5,041
Disposals	(299)	_	(285)	(591)	(50)	(1,225)
Exchange adjustments	5		9	4		18
At 31st December, 2009	126,016	1,287	29,839	21,259	3,891	182,292
DEPRECIATION						
At 1st January, 2008	53,158	594	15,297	11,760	2,526	83,335
Provided for the year	11,368	84	3,470	3,413	115	18,450
Eliminated on disposals	(960)	(1)	(645)	(3,347)	_	(4,953)
Exchange adjustments	6		5	10		21
At 31st December, 2008	63,572	677	18,127	11,836	2,641	96,853
Provided for the year	12,241	104	3,757	3,256	163	19,521
Eliminated on disposals	(232)	_	(154)	(295)	(50)	(731)
Exchange adjustments	1		2	2		5
At 31st December, 2009	75,582	781	21,732	14,799	2,754	115,648
CARRYING VALUES						
At 31st December, 2009	50,434	506	8,107	6,460	1,137	66,644
At 31st December, 2008	61,017	197	11,364	8,302	725	81,605

For the year ended 31st December, 2009

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	10% - 20%
Moulds	331/3%
Furniture, fixtures and office equipment	20% – 25%
Leasehold improvements	20%
Motor vehicles	20% - 25%

The carrying value of plant and machinery includes an amount of HK\$1,191,000 (2008: HK\$1,355,000) in respect of assets held under finance leases.

16. INTANGIBLE ASSETS

	Intellectual property HK\$'000 (Note 1)	Club membership HK\$'000 (Note 2)	Total HK\$'000
COST As at 1st January, 2008 Contribution from minority shareholders	- 5,245	978 -	978 5,245
Additions	148		148
As at 31st December, 2008 and 31st December, 2009	5,393	978	6,371
AMORTISATION AND IMPAIRMENT As at 1st January, 2008			
and 31st December, 2008	_	_	-
Amortisation charge for the year Impairment loss	449 4,944		449 4,944
At 31st December, 2009	5,393		5,393
CARRYING VALUES			
At 31st December, 2009		978	978
At 31st December, 2008	5,393	978	6,371

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16. INTANGIBLE ASSETS (Continued)

Notes:

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

The intellectual property is amortised on a straight-line basis over the expected lifespan of the underlying acoustic devices of 5 years.

During the year, the Group conducted a review of the carrying amount of the intellectual property based on a calculation of value in use and determined that there is indication of impairment loss due to the gloomy economic climate which has hindered the acceptance of innovative product of acoustic devices for bicycles. Accordingly, impairment loss of HK\$4,944,000 (2008: Nil) has been recognised to the consolidated income statement during the year.

2. The club membership represents entrance fees paid to golf club held on a long-term basis. It is considered by the management of the Group as having an indefinite useful life. It will not be amortised until the useful life is determined to be finite upon reassessment of the useful life annually by the management.

During the year ended 31st December, 2009, the club membership was tested for impairment by comparing its carrying amount with its recoverable amount. The management of the Group determined that no impairment loss was charged for the current year.

17. INVENTORIES

Raw materials Work in progress Finished goods

2009	2008
HK\$'000	HK\$'000
42,127	69,887
15,150	27,321
20,579	42,626
77,856	139,834

For the year ended 31st December, 2009

18. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS

	2009	2008
	HK\$'000	HK\$'000
		244.644
Trade debtors	290,817	344,644
Less: impairment losses on trade debtors	(95)	(287)
	290,722	344,357
Other debtors, deposits and prepayments	7,243	9,978
	297,965	354,335

Included in Group's debtors are trade debtors with carrying amounts of HK\$285,483,000 (2008: HK\$336,022,000) which denominated in United States dollars that is the currency other than the functional currencies of the respective group entities.

The Group normally allows an average credit period of 30 days to 105 days (2008: 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:

0 to 30 days		
31 to 60 days		
61 to 90 days		
91 to 120 days		
Over 120 days		

2009	2008
HK\$'000	HK\$′000
78,926	116,441
104,758	169,126
79,394	55,217
27,549	3,441
95	132
290,722	344,357

Included in the Group's trade debtor balances are debtors with aggregate carrying amount of HK\$3,884,000 (2008: HK\$6,544,000) 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.

For the year ended 31st December, 2009

18. TRADE DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Ageing of trade debtors (by due date) which are past due but not impaired

	2009	2008
	HK\$'000	HK\$'000
Less than 30 days	3,356	6,130
31 days to 90 days	513	266
91 days to 365 days	15	21
Over 365 days		127
Total	3,884	6,544

The balances that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered.

Movement in the impairment losses on trade debtors:

2009	2008
HK\$'000	HK\$'000
287	289
95	_
(287)	(2)
95	287
	HK\$'000 287 95 (287)

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 3.

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19. BANK BALANCES AND CASH

Bank balances and cash comprise certain short-term bank deposits at prevailing market interest rates of approximately 0.1% to 0.5% (2008: 0.8% to 4.2%) per annum.

Included in the Group's bank balances are bank balances with carrying amounts of HK\$75,124,000 (2008: HK\$30,378,000) and HK\$55,261,000 (2008: HK\$13,621,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

20. 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:

	2009	2008
	HK\$'000	HK\$'000
0 to 30 days	59,339	98,838
31 to 60 days	55,147	108,614
61 to 90 days	43,187	59,580
91 to 120 days	13,472	9,404
Over 120 days	4,425	2,209
	175,570	278,645
Accrued charges	46,757	36,748
	222,327	315,393

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\$60,463,000 (2008: HK\$97,336,000) and HK\$29,724,000 (2008: HK\$45,228,000) which are denominated in United States dollars and Renminbi respectively that are currencies other than the functional currencies of the respective group entities.

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21. BILLS PAYABLE

As at 31st December, 2008, the bills payable of the Group, with maturity date of 360 days, aged over 90 days. The bills payable has been settled during the year.

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum		Present value of	
	lease payments		minimum lease payments	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under				
finance leases				
Within one year	44	535	44	523
In more than one year but				
not more than two years	-	45	-	44
	44	580	44	567
Less: future finance charges		(13)		_
Less. rature imanee enarges				
Present value of lease obligations	44	567	44	567
riesent value of lease obligations	44	507	44	567
Less: amount due for settlement				
within one year shown				
under current liabilities			(44)	(523)
Amount due for settlement				
after one year				44
		l		

The Group has leased certain of its plant and machinery under finance leases. The average lease term is 3 years (2008: 3 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates which ranged from 2.14% to 3.76% (2008: 2.97% to 5.53%) per annum. No arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

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23. BANK BORROWINGS

Unsecured bank borrowings, repayable within one year

2009 2008 HK\$'000 HK\$'000 20,000 30,167

Bank borrowings comprise:

	Effective	interest rate		
	(per annum)		Carrying amount	
	2009	2008	2009	2008
			HK\$'000	HK\$'000
Floating-rate HK\$ bank loans:				
At HIBOR + 0.7%	_	1.13%	_	21,500
At HIBOR + 1.25%	1.3%	-	10,000	_
At HIBOR + 1%	-	3.4%	-	1,667
At HIBOR + 0.85%	0.9%	1.1%	10,000	7,000
			20,000	30,167

As at the end of reporting period, the Group has undrawn borrowing facilities of HK\$35,000,000 (2008: HK\$81,923,000).

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24. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	500,000,000	5,000
Issued and fully paid:		
At 1st January, 2008	330,517,564	3,305
Repurchase of shares	(8,224,000)	(83)
At 31st December, 2008	322,293,564	3,222
Repurchase of shares	(748,000)	(7)
At 31st December, 2009	321,545,564	3,215

During the year, the Company had repurchased a total of 748,000 shares (2008: 8,224,000 shares) of HK\$0.01 each of the Company on the SEHK at an aggregate purchase price of HK\$550,000 (2008: HK\$3,841,000). All of the shares repurchased had been cancelled during the year. Details of the repurchases are set out below:

2009

	Number of shares	Purchas per s	•	Aggregate purchase
Month of repurchase	repurchased	Highest	Lowest	price
		HK\$	HK\$	HK\$'000
September	196,000	0.74	0.72	142
October	552,000	0.74	0.74	408
	748,000			550

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24. SHARE CAPITAL (Continued)

2008

	Number	Purchas	e price	Aggregate
	of shares	per s	hare	purchase
Month of repurchase	repurchased	Highest	Lowest	price
		HK\$	HK\$	HK\$'000
October	6,264,000	0.48	0.43	2,848
November	1,096,000	0.48	0.47	519
December	864,000	0.56	0.48	474
	8,224,000			3,841

25. SHARE OPTION SCHEME

Equity-settled share options scheme

On 25th June, 2005, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company. The particulars of the Share Option Scheme are as follows:—

Purpose

To enable the Company to grant options to selected eligible participants as incentives or rewards for their contributions to the Group.

Eligible Participants

Eligible participants of the Share Option Scheme include:

- (i) (a) any executive director or full time or part time employee of or any person who has accepted an employment offer (whether full time or part time) by; or
 - (b) any non-executive director (including independent non-executive director) or officer of; or
 - (c) any person who is seconded to work for and has devoted at least 40% of his time to the business of; or
 - (d) any business partner, agent, consultant or representative of

any member of the Group (the "Eligible Person"); and

For the year ended 31st December, 2009

25. SHARE OPTION SCHEME (Continued)

Equity-settled share options scheme (Continued)

Eligible Participants (Continued)

(ii) any trust for the benefit of an Eligible Person or his immediate family members and a company controlled by an Eligible Person or his immediate family members.

Total number of ordinary shares available for issue

The total number of ordinary shares available for issue under the Share Option Scheme and any other schemes must not, in aggregate, exceed 32,154,556 ordinary shares, representing approximately 10% of the issued share capital of the Company as at the date of this annual report.

Maximum entitlement of each eligible participant

The maximum number of ordinary shares in respect of which options may be granted to each eligible participant in any 12-month period up to the date of grant is not permitted to exceed 1% of the ordinary shares in issue at the date of grant without prior approval from the Company's shareholders.

Any grant of options to any director, chief executive or substantial shareholder of the Company or their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Where any grant of options to any substantial shareholder of the Company or any independent non-executive director or any of their respective associates would result in the total number of ordinary shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other schemes in any 12-month period up to and, including the date of grant to such person representing in aggregate over (i) 0.1% of the total ordinary shares then in issue and (ii) having an aggregate value, based on the closing price of the ordinary shares at the date of each offer, in excess of HK\$5,000,000, then the proposed grant must be approved in accordance with the Rules Governing the Listing of Securities on SEHK, including by way of ordinary resolution of the shareholders in general meeting, if so required.

Period within which the ordinary shares must be taken up under a share option

Within 10 years from the date of grant of the share option or such shorter period as the board of directors of the Company determines at the time of grant.

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25. SHARE OPTION SCHEME (Continued)

Equity-settled share options scheme (Continued)

Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting a share option, the board of directors of the Company will determine the minimum period(s), if any, for which a share option must be held before it can be exercised.

Amount payable on application or acceptance of the option

The board of directors of the Company may determine the amount, if any, payable on application or acceptance of the option and the period within which payments must or may be made. Upon acceptance of the option within 28 days from the date of the offer (or such other period as the board of directors of the Company may specify in the offer), the grantee shall pay the amount, if any, specified in the offer to the Company as consideration for the grant within such period as the Company shall specify.

Basis of determining the subscription price for the ordinary shares

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the board of directors of the Company and shall not be less than the highest of:

- (i) the closing price of the ordinary shares as stated in SEHK's daily quotations sheet on the date of offer of that grant, which must be a business day;
- (ii) the average of the closing prices per ordinary share as stated in SEHK's daily quotations sheet for the five business days immediately preceding the date of offer of that option; and
- (iii) the nominal value of the ordinary shares.

Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 14th July, 2005, being the date the ordinary shares were listed on the SEHK.

No share option was granted or outstanding under the Share Option Scheme in both years.

For the year ended 31st December, 2009

26. DEFERRED TAXATION

The followings are the major deferred tax liabilities recognised and movements thereon during the current and the prior years:

		Undistributed		
	tax	profits of a		
	depreciation	subsidiary	Total	
	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2008 Charge to consolidated income	3,697	-	3,697	
statement for the year	361	_	361	
Effect of change in tax rate	(211)		(211)	
At 31st December, 2008 (Credit) charge to consolidated	3,847	-	3,847	
income statement for the year	(600)	127	(473)	
At 31st December, 2009	3,247	127	3,374	

As at 31st December, 2009, the Group had deductible temporary differences and unutilised tax losses carried forward to offset future profits of HK\$385,000 (2008: HK\$385,000) and HK\$15,491,000 (2008: HK\$6,203,000) respectively. The tax losses can be carried forward indefinitely. No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Group has no significant unrecognised temporary differences on undistributed profits of its subsidiaries at the end of the reporting period.

27. MAJOR NON-CASH TRANSACTION

During the financial year ended 31st December, 2008, the minority shareholders of a subsidiary of the Group have contributed an initial capital of HK\$1,000 and intellectual property of HK\$5,245,000 to the subsidiary. The Group retains 51% interest in the subsidiary via cash contribution of HK\$5,460,000.

For the year ended 31st December, 2009

28. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

Within one year
In the second to fifth years inclusive

2009 HK\$'000	2008 HK\$'000
2,380 1,112	1,856
3,492	1,856

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease term of one to three years. The rentals of the lease contracts are fixed throughout the lease term.

29. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements

2008
HK\$'000
1,488

30. EMPLOYEE RETIREMENT BENEFITS

Prior to 1st December, 2000, the Group operated a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance ("ORSO Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there were employees who left the ORSO Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

For the year ended 31st December, 2009

30. EMPLOYEE RETIREMENT BENEFITS (Continued)

With effective from 1st December, 2000, the Group joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The obligation of the Group with respect to MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in future years.

Employees who were members of the ORSO Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

Employees of the subsidiaries in the PRC are members of pension schemes operated by PRC local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits. The only obligation for the Group with respect to the pension schemes is the required contributions under the pension schemes.

The total cost charged to consolidated income statement of HK\$2,517,000 (2008: HK\$2,445,000) represents contributions payable to these schemes by the Group. At the end of the reporting period, there was no forfeited contribution available to reduce future contributions in both years.

31. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

Salaries and other benefits
Bonus
Retirement benefit schemes contributions

2009	2008
HK\$'000	HK\$'000
12,351	11,740
1,722	483
156	113
14,229	12,336

The remuneration of directors and key executives is recommended by the remuneration committee for approval by the board of directors having regard to the performance of individuals and market trends.

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32. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE **COMPANY**

Investment in a subsidiary	
Amounts due from subsidiaries	
Dividend receivable	
Bank balances and cash	
Other current assets	
Amount due to a subsidiary	
Other current liabilities	
Share capital	
Reserves (note)	

2009	2008
HK\$'000	HK\$'000
_	_
195,432	184,422
30,000	34,000
10,382	88
224	226
_	(2,513)
(1,915)	(606)
234,123	215,617
3,215	3,222
230,908	212,395
234,123	215,617
230,908	212,395

For the year ended 31st December, 2009

32. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: The Company's reserves movement are as follows:

	Share	Special	Retained	
	premium	reserve	profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note)		
THE COMPANY				
At 1st January, 2008	94,030	107,647	14,340	216,017
Profit for the year	_	_	17,005	17,005
Repurchase of shares	(3,758)	_	_	(3,758)
Shares repurchase expenses	(13)	_	_	(13)
Final dividend paid in respect of 2007	_	_	(12,890)	(12,890)
Interim dividend paid in respect of 2008			(3,966)	(3,966)
At 31st December, 2008	90,259	107,647	14,489	212,395
Profit for the year	_	_	36,784	36,784
Repurchase of shares	(543)	_	_	(543)
Shares repurchase expenses	(2)	_	_	(2)
Final dividend paid in respect of 2008	_	_	(13,859)	(13,859)
Interim dividend paid in respect of 2009			(3,867)	(3,867)
At 31st December, 2009	89,714	107,647	33,547	230,908

Note:

Special reserve represents the difference between the nominal value of the entire issued share capital of Shinhint Industries Limited and the aggregate nominal value of the shares issued by the Company pursuant to the group reorganisation in 2005.

For the year ended 31st December, 2009

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31st December, 2009 and 2008 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation or establishment/ operations re	Paid up issued ordinary share capital/ egistered capital	of int	portion erest held e Company lote 1)	Principal activities
Shinhint Industries Limited	Incorporated	Hong Kong	HK\$5,000,000	2009 100%	2008 100%	Investment holding and trading of components of electronic appliances
Tai Sing Industrial Company Limited	Incorporated	Hong Kong/PRC	HK\$5,000,000	100%	100%	Manufacturing of moulds, headphones and speakers related components
Crown Million Industries (International) Limited	Incorporated	Hong Kong	HK\$10,000	100%	100%	Investment holding and trading of home theatre and automobiles speakers system
Shinhint Industrial Holdings Limited ("Shinhint Industrial"	Incorporated	British Virgin Islands	US\$1	100%	100%	Investment holding
DongGuan Shinhint Audio Technology Limited	Wholly foreign- owned enterprise	PRC	HK\$10,000,000	100%	100%	Manufacturing of home theatre and automobiles speakers system
Tommyca Limited (formerly known as Tommyca Hong Kong Limited)	Incorporated	Hong Kong	HK\$2,041	51%	51%	Trading of acoustic devices for bicycles

Notes:

- 1. Other than Shinhint Industrial, all other subsidiaries are indirectly held by the Company.
- 2. None of the subsidiary had any debt securities subsisted at 31st December, 2009.

Financial Summary

	Year ended 31st December,						
	2005	2006	2007	2008	2009		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
RESULTS							
Revenue	1,016,198	1,174,157	1,364,536	1,359,491	1,031,122		
Profit for the year	45,441	50,329	57,901	28,351	24,108		
Attributable to:							
Owners of the Company	45,432	50,329	57,901	31,391	26,314		
Minority interests	9			(3,040)	(2,206)		
	45,441	50,329	57,901	28,351	24,108		
	At 31st December,						
	2005	2006	2007	2008	2009		
ACCETC AND LIABILITIES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
ASSETS AND LIABILITIES							
Total assets	654,303	675,154	750,697	693,527	588,268		
Total liabilities	(429,494)	(412,767)	(427,763)	(357,051)	(245,928)		
Shareholders' funds	224,809	262,387	322,934	336,476	342,340		