



SONAVOX INTERNATIONAL HOLDINGS LIMITED

上聲國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8226)

**For the three months ended 31st March 2009
First Quarterly Report 2009**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM")
OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK
EXCHANGE")**

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Sonavox International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

The board of directors (the “Board”) of Sonavox International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March 2009, together with the comparative figures for the corresponding periods in 2008 as follows:

	Notes	For the three months ended 31st March	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	2	67,206	88,996
Cost of goods sold		<u>(54,857)</u>	<u>(71,188)</u>
Gross profit		12,349	17,808
Other revenue		356	1,240
Selling and marketing costs		(2,073)	(6,101)
Administrative expenses		(13,097)	(10,894)
Finance costs		<u>(2,470)</u>	<u>(3,072)</u>
Loss before taxation	4	(4,935)	(1,019)
Taxation	5	<u>–</u>	<u>488</u>
Loss for the period		<u>(4,935)</u>	<u>(531)</u>
Attributable to:			
Equity holders of the Company		(4,548)	(1,488)
Minority interests		<u>(387)</u>	<u>957</u>
		<u>(4,935)</u>	<u>(531)</u>
Loss per share	6		
– Basic		<u>(HK cent 1.40)</u>	<u>(HK cent 0.46)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>
Dividends	7	<u>–</u>	<u>–</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Property revaluation reserve	Statutory reserves	Share-based payment reserve	Merger reserve	Cumulative translation adjustment reserve	Accumulated profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2009 (Audited)	3,251	27,682	10,672	7,250	1,623	2,441	15,467	18,679	87,065	75,700	162,765
Translation adjustments	-	-	-	-	-	-	(957)	-	(957)	-	(957)
Loss for the period	-	-	-	-	-	-	-	(4,548)	(4,548)	(387)	(4,935)
At 31st March 2009 (Unaudited)	<u>3,251</u>	<u>27,682</u>	<u>10,672</u>	<u>7,250</u>	<u>1,623</u>	<u>2,441</u>	<u>14,510</u>	<u>14,131</u>	<u>81,560</u>	<u>75,313</u>	<u>156,873</u>
At 1st January 2008 (Audited)	3,251	27,682	2,598	7,250	1,948	2,441	15,235	27,735	88,140	70,706	158,846
Translation adjustments	-	-	-	-	-	-	4,340	-	4,340	-	4,340
Loss for the period	-	-	-	-	-	-	-	(1,488)	(1,488)	957	(531)
At 31st March 2008 (Unaudited)	<u>3,251</u>	<u>27,682</u>	<u>2,598</u>	<u>7,250</u>	<u>1,948</u>	<u>2,441</u>	<u>19,575</u>	<u>26,247</u>	<u>90,992</u>	<u>71,663</u>	<u>162,655</u>

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated results of the Group have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. They have been prepared under historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities.

The principal accounting policies used in the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31st December 2008. The condensed financial statements are unaudited but have been reviewed by the audit committee of the Company.

2. TURNOVER

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

3. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Geographical segments information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

The Group is organised on a world wide basis with one business segment in the Hong Kong, the Peoples' Republic of China (the "PRC"), Japan, North America, European Union countries and other Asian countries. Accordingly, the directors of the Company consider there is one business segment and six geographical segments.

(a) **Geographical segments**

	For the three months ended 31st March 2009						Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Japan HK\$'000	North America HK\$'000	European Union countries HK\$'000	Other Asian countries HK\$'000	
Turnover	133	29,208	4,279	20,310	11,316	1,960	67,206
Segment results	<u>(892)</u>	<u>(100)</u>	<u>14</u>	<u>(1,024)</u>	<u>(371)</u>	<u>(448)</u>	(2,821)
Other revenue							356
Finance costs							(2,470)
Loss before taxation							(4,935)
Taxation							-
Loss for the period							<u>(4,935)</u>

	For the three months ended 31st March 2008						Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Japan HK\$'000	North America HK\$'000	European Union countries HK\$'000	Other Asian countries HK\$'000	
Turnover	1,234	28,594	6,304	33,150	11,809	7,905	88,996
Segment results	<u>(1,215)</u>	<u>1,064</u>	<u>262</u>	<u>726</u>	<u>235</u>	<u>(259)</u>	813
Other revenue							1,240
Finance costs							(3,072)
Loss before taxation							(1,019)
Taxation							488
Loss for the period							<u>(531)</u>

(b) **Business segments**

The Group has been operating in a single business segment that is manufacture and sales of loudspeaker systems.

4. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	For the three months ended 31st March	
	2009	2008
	HK\$'000	HK\$'000
Depreciation and amortisation	4,902	5,100

5. TAXATION

No provision for Hong Kong profits tax has been made as there is no assessable profit for the Group operating in Hong Kong during the three months ended 31st March 2009 and 2008.

Taxation arising in other jurisdictions is calculated at the rates in the relevant jurisdictions.

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from year of assessment 2008/2009.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate ("EIT") of the Group's subsidiaries in the PRC was reduced from 27% to 25% from 1st January 2008 onwards. The relevant tax rate for the Group's subsidiaries in the PRC is 25%.

Shangsheng Technology Co. Ltd. ("Shangsheng Technology") and Suzhou Hesheng Industrial Co., Ltd. ("Suzhou Hesheng") are entitled to full exemption from EIT for two years starting from its first profit-making year to be followed by a 50% reduction for the next consecutive three years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. Suzhou Sonavox Acoustics Co. Ltd. ("Sonavox Acoustics"), Shangsheng Technology and Suzhou Hesheng have been reporting tax loss since its establishment.

No EIT is payable on the profit for the year of Sonavox Acoustics since the assessable profit is wholly absorbed by tax losses brought forward.

The Company's subsidiary established in Canada, Sonavox Canada Inc. is subject to Federal and Ontario provincial income taxes at an aggregate rate of 33%.

The amount of taxation for the year to the consolidated income statement represents:

	For the three months ended 31st March	
	2009	2008
	HK\$'000	HK\$'000
Current taxation		
– PRC enterprise income tax	–	7
– Canada corporation income tax	–	(495)
Deferred taxation	–	–
	–	(488)

6. **LOSS PER SHARE**

(a) **Basic**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the three months ended 31st March	
	2009	2008
Loss attributable to equity holders of the Company (HK\$'000)	<u><u>(4,548)</u></u>	<u><u>(1,488)</u></u>
Weighted average number of ordinary shares in issue ('000)	<u><u>325,090</u></u>	<u><u>325,090</u></u>
Basic loss per share (HK cent per share)	<u><u>(1.40)</u></u>	<u><u>(0.46)</u></u>

(b) **Diluted**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as the dilutive potential ordinary shares. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

In addition, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share from operations.

No diluted loss per share has been presented because the exercise price of the Company's options was higher than the average market price for share during the period.

7. **DIVIDENDS**

The directors of the Company do not recommend the payment of an interim dividend for the three months ended 31st March 2009 and 2008.

BUSINESS REVIEW AND PROSPECTS

Business Review

During the period under review, the Group continued to strengthen its performance of main streams line of business, including manufacture and sales of quality and high performance loudspeaker systems to leading global automobiles and consumer electronics companies.

Amid downturns of US and European markets, the business environment remains competitive and challenging. The Group's performance has been undoubtedly affected. For the three months ended 31st March 2009, the Group recorded a turnover of HK\$67.2 million (2008: HK\$89.0 million), representing a decrease of 24%, when compared with that of first quarter in 2008.

The Group continued to maintain its leading loudspeaker manufacturer position in the China market. According to latest statistics from the China Association of Automobile Manufacturers (the "CAAM"), first-quarter vehicle sales in China grew by 3.8% year-on-year to 2.7 million units. China became the most important market of the Group, and sales of loudspeaker systems in China contributed 43% of the Group's turnover during the period (2008: 32%).

Financial Review

Sales of loudspeaker systems for automobiles was decreased by 16% to approximately HK\$54.1 million for the three months ended 31st March 2009 (2008: approximately HK\$64.7 million), which accounted for approximately 80% (2008: approximately 73%) of its total turnover. The Group recorded sales of approximately HK\$13.1 million (2008: HK\$24.3 million) from sales of loudspeaker systems for home theatre. Decrease in overall sales was mainly primarily attributable to continuous unfavorable business environment as a result of recent global financial turmoil and economic downturn. The gross profit margin ratio for the three months ended 31st March 2009 was about 18%, while it was about 20% in the previous period.

As a result of decrease in turnover, the Group recorded loss before taxation of approximately HK\$4.9 million for the three months ended 31st March 2009 (2008: loss of approximately HK\$1.0 million). Finance costs decreased by 20% from approximately HK\$3.1 million in last period to HK\$2.5 million in this period, as a result of repayment of bank loans and overdrafts during the period under review.

Prospects

The Directors expect year 2009 still to be challenging. The CAAM forecasted China's vehicle sales would reach 10.2 million units in 2009, up almost 9 percent from last year. The Directors are confident that with the Group's solid foundation, times of challenge bring opportunity for the Group to break away from competitors and take business to next level of market leadership in China automobile industry. For overseas automobile loudspeaker markets, the Directors believe the Group will be benefited from continuous establishment of business relationships with leading automakers around the world. The Group will also continue to improve operational effectiveness in order to drive its business for continued growth.

In respect of consumer electronics market, the Group's strong research and development capacities in China and Canada enabled us to launch new and competitive multimedia and home theatre products for our renowned customers in audio industry. This will constitute continuous growth and bring future revenue to the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES OR DEBENTURES

As at 31st March 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the shares

Name of Director	Type of interests	Capacity	Number of shares	Percentage of interest
Mr. Yang Tsu Ying (<i>Note</i>)	Corporate	Interest of a controlled corporation	240,000,000	73.83%
Mr. Yang Ching Yau (<i>Note</i>)	Corporate	Interest of a controlled corporation	240,000,000	73.83%

Note: These shares are registered in the name of Newwood Consultancy Limited, a company wholly owned by Silver Way Limited. The entire issued share capital of Silver Way Limited is in turn owned by HSBC International Trustee Limited as the trustee of The SEI Trust, and the discretionary objects of which are Mr. Yang Tsu Ying and Mr. Yang Ching Yau.

(b) Long positions in the shares of equity derivatives of the Company

Name of Director	Capacity	Description of equity derivatives	Number of share options	Percentage of interest
Mr. Yang Tsu Ying	Beneficial owner	Share option	2,000,000	0.615%
Mr. Yang Ching Yau	Beneficial owner	Share option	2,000,000	0.615%

Save as disclosed above, as at 31st March 2009, none of the Directors and chief executives had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director of the Company, as at 31st March 2009, the persons or companies (not being a Director of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

(a) Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares held	Percentage of interest
Newood Consultancy Limited (Note 1)	Beneficial owner	240,000,000	73.83%
Silver Way Limited (Note 1)	Interest of a controlled corporation	240,000,000	73.83%
HSBC International Trustee Limited (Note 1)	Trustee	240,000,000	73.83%
Mr. Yang Tsu Ying (Note 1)	Beneficiary of a trust	240,000,000	73.83%
Mr. Yang Ching Yau (Note 1)	Beneficiary of a trust	240,000,000	73.83%
Madam Yang Chuang Ching-Hsiu (Note 2)	Interest of spouse	240,000,000	73.83%
Ms. Helen Lee (Note 3)	Interest of spouse	240,000,000	73.83%

(b) Long positions in the shares of equity derivatives of the Company

Name	Capacity	Description of equity derivatives	Number of share options	Percentage of interest
Yang Tsu Ying	Beneficial owner	Share option	2,000,000	0.615%
Yang Ching Yau	Beneficial owner	Share option	2,000,000	0.615%
Yang Chuang Ching-Hsiu (Note 2)	Interest of spouse	Share option	2,000,000	0.615%
Helen Lee (Note 3)	Interest of spouse	Share option	2,000,000	0.615%

Notes:

- Newood Consultancy Limited is a company wholly owned by Silver Way Limited. The entire issued share capital of Silver Way Limited is in turn owned by HSBC International Trustee Limited as the trustee of The SEI Trust, and the discretionary objects of which are Mr. Yang Tsu Ying and Mr. Yang Ching Yau.
- Madam Yang Chuang Ching-Hsiu is the spouse of Mr. Yang Tsu Ying and, under section 316 of the SFO, is therefore deemed to be interested in all 240,000,000 shares and 2,000,000 share options in which Mr. Yang Tsu Ying is interested.
- Ms. Helen Lee is the spouse of Mr. Yang Ching Yau and, under section 316 of the SFO, is therefore deemed to be interested in all 240,000,000 shares and 2,000,000 share options in which Mr. Yang Ching Yau is interested.

Save as disclosed above, as at 31st March 2009, the Directors were not aware of any other person or company who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

SHARE OPTIONS

The Group adopted a share option scheme which became effective on 8th July 2002. Under which, share options are granted to any employees, consultants or professional advisors, and suppliers or customers of the Group. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time.

The following table discloses movements in the Company's share options during the period.

Name or category of participant	Outstanding at 1st January 2009	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding at 31st March 2009	Exercise period	Exercisable price per share of the Company HK\$
(a) Director							
Mr. Yang Tsu Ying	2,000,000	-	-	-	2,000,000	28th June 2006 to 27th June 2015	0.345
Mr. Yang Ching Yau	2,000,000	-	-	-	2,000,000	28th June 2006 to 27th June 2015	0.345
(b) Others in aggregate	6,000,000	-	-	-	6,000,000	28th June 2006 to 27th June 2015	0.345
	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>		

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the period were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The Group's ultimate controlling shareholders and executive Directors, Mr. Yang Tsu Ying and Mr. Yang Ching Yau, are also engaged in the business of manufacturing and trading of various types of loudspeakers through Sonavox Electronics (Suzhou Industrial Park) Company Limited, Sonavox Electronics Inc., Sonavox Electronics Limited, Fortune Win Limited, Asian Elite International Company Limited and their respective subsidiaries and associated companies (collectively known as the "Private Group"). As the business of the Group is overlapping with that of the Private Group to the extent that the Private Group is engaged in the manufacture and sale of loudspeakers for automotive aftermarket, Mr. Yang Tsu Ying, Mr. Yang Ching Yau and the Private Group have entered into the deed of undertaking on 15th July 2002 with the Company pursuant to which Mr. Yang Tsu Ying, Mr. Yang Ching Yau and the Private Group have given to the Group certain non-compete and referral of business opportunities undertakings.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed above, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms less exacting than the required standard of dealings as set out in Rules 5.48 to 6.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and required standard of dealings and its code of conduct regarding security transactions by the Directors throughout the three months ended 31st March 2009.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code on Corporate Governance Practice as defined in the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Mr. Fan Chi Fai, Paul, Mr. Yiu Chi Wah and Mr. Lee Fang Yu who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31st March 2009 have been reviewed by the audit committee, which was of the opinion that such financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

On behalf of the Board
Yang Tsu Ying
Chairman

Hong Kong, 12th May 2009

As at the date of this report, the Board comprises of two executive Directors, namely Mr. Yang Tsu Ying and Mr. Yang Ching Yau; and three independent non-executive Directors, namely Mr. Yiu Chi Wah, Mr. Fan Chi Fai, Paul, and Mr. Lee Fang Yu.