



**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 31 March 2010 First Quarterly Report 2010**

---

### **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.**

---

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 STATEMENT OF COMPREHENSIVE INCOME (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 31 March 2010, together with the comparative figures as follows:

For the three months ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Turnover	3	135,003	67,206
Cost of sales		(103,049)	(54,857)
Gross profit		31,954	12,349
Other revenue, gains and losses		459	356
Selling and marketing costs		(4,225)	(2,073)
Administrative expenses		(16,680)	(13,097)
Finance costs		(2,378)	(2,470)
Profit/(loss) before income tax expense		9,130	(4,935)
Income tax expense	4	(2,144)	–
Profit/(loss) for the period		6,986	(4,935)
<b>Other comprehensive income</b>			
– exchange differences on translating foreign operations		1,093	(957)
<b>Other comprehensive income for the period, net of tax</b>		1,093	(957)
<b>Total comprehensive income for the period</b>		8,079	(5,892)
<b>Profit/(loss) attributable to:</b>			
– owners of the Company		1,977	(4,548)
– minority interests		5,009	(387)
		6,986	(4,935)
<b>Total comprehensive income attributable to:</b>			
– owners of the Company		3,224	(5,505)
– minority interests		4,855	(387)
		8,079	(5,892)
Earnings/(losses) per share (HK cent)			
– basic	5	0.61	(1.40)
– diluted	5	0.46	(1.40)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2010

	Share capital	Share premium	Property revaluation reserve	Statutory reserves	Share-based payment reserve	Merger reserve	Cumulative translation adjustment	Accumulated profits	Equity attributable to owners of the Company	Minority interests	Total
	HKS'000	HKS'000	HKS'000	(Note (a)) HKS'000	HKS'000	(Note (b)) HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2009	3,251	27,682	10,672	7,250	1,623	2,441	10,065	17,602	80,586	80,769	161,355
Total comprehensive income for the period	-	-	-	-	-	-	(957)	(4,548)	(5,505)	(387)	(5,892)
At 31 March 2009	<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>9,108</u>	<u>13,054</u>	<u>75,081</u>	<u>80,382</u>	<u>155,463</u>
At 1 January 2010	3,251	27,682	11,680	6,812	1,623	2,441	14,179	14,827	82,495	98,817	181,312
Total comprehensive income for the period	-	-	-	-	-	-	1,247	1,977	3,224	4,855	8,079
Proposed dividend	-	-	-	-	-	-	-	-	-	(5,899)	(5,899)
At 31 March 2010	<u>3,251</u>	<u>27,682</u>	<u>11,680</u>	<u>6,812</u>	<u>1,623</u>	<u>2,441</u>	<u>15,426</u>	<u>16,804</u>	<u>85,719</u>	<u>97,773</u>	<u>183,492</u>

Notes:

### (a) Statutory reserves

Pursuant to the articles of association of the group entities in the People's Republic of China (the "PRC"), appropriations are made from the accumulated profits to certain statutory reserves, based on a percentage of profit in accordance with the rules and regulations in the PRC. Such appropriations to reserves would be made only with approval from the board of directors of those group entities.

### (b) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of the shares issued by the Company and the share capital and share premium of a subsidiary acquired through an exchange of shares.

Notes:

## 1. GENERAL INFORMATION

The principal activities of the Group are investment holding and manufacturing and sale of loudspeaker systems to customers in the PRC and overseas markets respectively.

The Company is a limited liability company incorporated in the Cayman Islands. The directors regard Newwood Consultancy Limited, a company incorporated in the British Virgin Islands (“BVI”), as the ultimate holding company.

The shares of the Company have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 19 July 2002.

The unaudited condensed financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The financial statements have been prepared under the historical cost basis except for land and buildings and certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and method of computation used in preparing the financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2009 except as described below.

The Group has adopted the following new/revised HKFRSs issued by the HKICPA that are effective for the current accounting period.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs
HKFRSs (Amendments) Amendments to HKFRS 2	Improvement to HKFRSs 2009 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods.

The Group has not early adopted the following new/revised HKFRS, potentially relevant to the Group's operations, that have been issued but are yet effective.

HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

The condensed financial statements are unaudited but have been reviewed by the audit committee of the Company.

### 3. TURNOVER

Turnover, which is also the revenue, represents the net invoiced value of goods sold, net of discounts and sales related taxes.

### 4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as there is no assessable profits for the group entities operate in Hong Kong during the three months ended 31 March 2010 and 2009.

The PRC Enterprise Income Tax (“EIT”) rate for foreign-invested enterprises is 25%.

Suzhou Shangsheng Electrics Co., Ltd. enjoys a preferential EIT rate of 15% as it has been granted the status of an Advanced and New Technology Enterprise.

Suzhou Shangsheng Technology Co., Ltd. and Suzhou Hesheng Industries Co., Ltd. (“Suzhou Hesheng”) are entitled to a 50% reduction on EIT for three consecutive three years from 1 January 2010 in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China.

No EIT is payable for Suzhou Hesheng and Suzhou Sonavox Acoustics Co., Ltd. since they were having tax loss for the period.

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

The amount of taxation for the period to the condensed consolidated statement of comprehensive income represents:

	2010 HK\$'000	2009 HK\$'000
Current tax		
– PRC Enterprise Income Tax	2,144	–
Deferred tax	–	–
	<hr/>	<hr/>
Income tax expense	<u>2,144</u>	<u>–</u>

## 5. EARNINGS/LOSSES PER SHARE

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

	2010		2009	
	Basic	Diluted	Basic	Diluted
Profit/(loss) attributable to owners of the Company ( <i>HK\$'000</i> )	<u>1,977</u>	<u>1,977</u>	<u>(4,548)</u>	<u>(4,548)</u>
Weighted average number of ordinary shares, in thousand, for the purpose of earnings/losses per share	<u>325,090</u>	<u>432,068</u>	<u>325,090</u>	<u>325,090</u>
Earnings/(losses) per share ( <i>HK cent</i> )	<u>0.61</u>	<u>0.46</u>	<u>(1.40)</u>	<u>(1.40)</u>

No dilutive effect for the three months ended 31 March 2009 because the exercise price of the Company's share options was higher than the average market price for share during the period.

## 6. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the three months ended 31 March 2010 and 2009.

## BUSINESS REVIEW AND PROSPECTS

### Business Review

During the period under review, the Group was committed to strengthen its core businesses of manufacture and sales of high performance loudspeaker products to major automakers and consumer electronics companies around the world, such as Ford Motor Company, Volkswagen and Audi. In addition, the Group continued to launch new and competitive multimedia and home theatre products to satisfy our renowned customers' needs.

Amid downturns of US and European markets during first quarter of 2009, the Group's performance was adversely affected and recorded a turnover of HK\$67.2 million for the three months ended 31 March 2009. As a result of economy recovery and rebound of shipments to customers from second quarter of 2009, total turnover of the Group was increased by 101% to approximately HK\$135.0 million during the period under review when compared with that of first quarter of 2009.

Mainland China remained the most important market of the Group, and the sales of loudspeaker systems in China contributed 46% of the Group's turnover for the three months ended 31 March 2010 (2009: 43%). The Group continued to maintain its leading loudspeaker manufacturer position with well-established business relationships with major industry players, such as Shanghai General Motors, Shanghai Volkswagen and Dongfeng Peugeot Citroen Automobile, in the China market. The Group was benefited from optimistic outlook of these major automakers about their long-term development of China's auto market.

### Financial Review

Sales of loudspeaker systems for automobiles was increased by 118% to approximately HK\$118.0 million for three months ended 31 March 2010 (2009: HK\$54.1 million), which accounted for approximately 87% (2009: approximately 81%) of its total turnover. The Group recorded sales of approximately HK\$17.0 million (2009: HK\$13.1 million) from sales of loudspeaker systems for home theatre. Increase in overall sales by 101% was primarily attributable to recovery of automobile market and hence rebound of shipments to customers.

The Group's performance was benefited from increase in production and steady raw material prices during the period under review. The gross profit margin ratio for the three months ended 31 March 2010 was about 23.7%, while it was about 18.4% in the corresponding period last year. As a result of increase in gross profit ratio, the Group recorded profit before income tax of approximately HK\$9.1 million for three months 31 March 2010 (2009: loss of HK\$4.9 million).

### Prospects

With the American economy showing tendencies of recovery, it will be possible for the world economy to gradually resume its normal pace of development. However, we expect the operating environment for the year of 2010 will continue to be challenging. Threat of rising raw material costs continues to exist, but we anticipate lower levels of volatility. There will be continued intense competition from other industry players. We 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 loudspeaker industry.

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

As at 31 March 2010, 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 (Note)	Corporate	Interest of a controlled corporation	240,000,000	73.83%
Mr. Yang Ching Yau (Note)	Corporate	Interest of a controlled corporation	240,000,000	73.83%

*Note:* These shares are registered in the name of Newood Consultancy Limited, a company wholly owned by Silver Way Limited. The entire issued share capital of Silver Way Limited is in turn owned by Deutsche Bank International Trust Co. (Cayman) 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 31 March 2010, 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 31 March 2010, 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%
Deutsche Bank International Trust Co. (Cayman) 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:

1. 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 Deutsche Bank International Trust Co. (Cayman) Limited as the trustee of The SEI Trust, and the discretionary objects of which are Mr. Yang Tsu Ying and Mr. Yang Ching Yau.
2. 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.
3. 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 31 March 2010, 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-BASED COMPENSATION

The Group adopted a share option scheme which became effective on 8 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 1 January 2010	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding at 31 March 2010	Exercisable period	Exercise price per share of the Company HK\$
(a) Director							
Mr. Yang Tsu Ying	2,000,000	-	-	-	2,000,000	28 June 2006 to 27 June 2015	0.345
Mr. Yang Ching Yau	2,000,000	-	-	-	2,000,000	28 June 2006 to 27 June 2015	0.345
(b) Others in aggregate	6,000,000	-	-	-	6,000,000	28 Jun 2006 to 27 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 15 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 period.

## 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 31 March 2010 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.

By order of the Board  
**Yang Tsu Ying**  
Chairman

Hong Kong, 10 May 2010

*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.*