



**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 six months ended 30th June 2009  
Interim Report 2009**

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**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("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 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 six months ended 30th June 2009, together with the comparative figures for the corresponding periods in 2008 as follows:

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	99,591	111,509	166,797	200,505
Cost of goods sold		(79,569)	(92,441)	(134,426)	(163,629)
Gross profit		20,022	19,068	32,371	36,876
Other revenue		436	140	792	751
Selling and marketing costs		(2,520)	(2,441)	(4,593)	(7,913)
Administrative expenses		(14,777)	(15,781)	(27,874)	(26,675)
Finance costs		(2,440)	(1,823)	(4,910)	(4,895)
Profit/(loss) before taxation	4	721	(837)	(4,214)	(1,856)
Taxation	5	–	440	–	928
Profit/(loss) for the period		721	(397)	(4,214)	(928)
Other comprehensive income:					
Exchange differences on translation of PRC and foreign operations		3,412	5,535	2,455	9,875
Recognition of statutory reserves		(47)	–	(47)	–
Other comprehensive income for the period, net of tax		3,365	5,535	2,408	9,875
Total comprehensive income for the period		4,086	5,138	(1,806)	8,947

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Profit/(loss) attributable to:					
Equity holders of the Company		(1,475)	(314)	(6,023)	(1,802)
Minority interests		2,196	(83)	1,809	874
		<u>721</u>	<u>(397)</u>	<u>(4,214)</u>	<u>(928)</u>
Total comprehensive income attributable to:					
Equity holders of the Company		(2,757)	5,221	(8,262)	8,073
Minority interests		6,843	(83)	6,456	874
		<u>4,086</u>	<u>5,138</u>	<u>(1,806)</u>	<u>8,947</u>
Loss per share	6				
– Basic		<u>(HK cent 0.45)</u>	<u>(HK cent 0.10)</u>	<u>(HK cent 1.85)</u>	<u>(HK cent 0.55)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividend	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

		As at	
		30th June 2009	31st December 2008
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	187,977	191,547
Prepaid lease payments	9	15,737	15,946
Deferred tax assets		6,627	6,294
Intangible assets	10	15,958	15,746
Goodwill		5,252	4,966
		<u>231,551</u>	<u>234,499</u>
<b>Current assets</b>			
Inventories	11	52,490	57,470
Trade and note receivables	12	95,257	88,359
Prepayments, deposits and other receivables		8,016	9,542
Prepaid lease payments	9	380	380
Amount due from a minority shareholder of a subsidiary		–	3,500
Pledged bank deposits		–	6,109
Restricted bank balances		13,152	9,040
Cash and bank balances		28,613	12,760
		<u>197,908</u>	<u>187,160</u>
<b>Current liabilities</b>			
Trade and note payables	13	89,641	84,909
Accruals and other payables		28,933	29,988
Amount due to ultimate holding company		13,353	5,604
Amount due to a minority shareholder of a subsidiary		8,534	–
Obligations under finance leases – due within one year		67	134
Bank borrowings – due within one year	14	80,038	91,136
Derivative financial instrument		–	27
Embedded derivative financial instrument		2,145	2,145
Tax payable		1,481	2,927
		<u>224,192</u>	<u>216,870</u>
<b>Net current liabilities</b>		<u>(26,284)</u>	<u>(29,710)</u>
<b>Total assets less current liabilities</b>		<u>205,267</u>	<u>204,789</u>

		As at	
		30th June 2009	31st December 2008
	<i>Notes</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>Capital and reserves</b>			
Share capital	15	3,251	3,251
Reserves		<u>75,552</u>	<u>83,814</u>
Equity attributable to equity holders of the Company		<b>78,803</b>	87,065
Minority interests		<u>82,156</u>	<u>75,700</u>
<b>Total equity</b>		<u><b>160,959</b></u>	<u>162,765</u>
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year		<b>20</b>	51
Deferred tax liabilities		<b>2,501</b>	2,504
Bank borrowings – due after one year	14	<b>2,214</b>	2,265
Convertible bonds		<u>39,573</u>	<u>37,204</u>
		<u><b>44,308</b></u>	<u>42,024</u>
		<u><b>205,267</b></u>	<u>204,789</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to equity holders of the Company										
	Share capital HK\$ '000	Share premium HK\$ '000	Property revaluation reserve HK\$ '000	Statutory reserves HK\$ '000	Share-based payment reserve HK\$ '000	Merger reserve HK\$ '000	Cumulative translation adjustment reserve HK\$ '000	Accumulated profits HK\$ '000	Total HK\$ '000	Minority interests HK\$ '000	Total HK\$ '000
At 1st January 2008	3,251	27,682	2,598	7,250	1,948	2,441	15,235	27,735	88,140	70,706	158,846
Loss for the period	-	-	-	-	-	-	-	(1,802)	(1,802)	874	(928)
Exchange differences on translation of PRC and foreign operations	-	-	-	-	-	-	9,875	-	9,875	-	9,875
Total comprehensive income for the period	-	-	-	-	-	-	9,875	(1,802)	8,073	874	8,947
At 30th June 2008	<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>25,110</u>	<u>25,933</u>	<u>96,213</u>	<u>71,580</u>	<u>167,793</u>
At 1st January 2009	3,251	27,682	10,672	7,250	1,623	2,441	15,467	18,679	87,065	75,700	162,765
Loss for the period	-	-	-	-	-	-	-	(6,023)	(6,023)	1,809	(4,214)
Exchange differences on translation of PRC and foreign operations	-	-	-	435	-	-	(2,650)	-	(2,215)	4,670	2,455
Recognition of statutory reserves	-	-	-	(24)	-	-	-	-	(24)	(23)	(47)
Total comprehensive income for the period	-	-	-	411	-	-	(2,650)	(6,023)	(8,262)	6,456	(1,806)
Transfer to statutory reserves	-	-	-	150	-	-	-	(150)	-	-	-
At 30th June 2009	<u>3,251</u>	<u>27,682</u>	<u>10,672</u>	<u>7,811</u>	<u>1,623</u>	<u>2,441</u>	<u>12,817</u>	<u>12,506</u>	<u>78,803</u>	<u>82,156</u>	<u>160,959</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended	
	30th June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	12,096	12,222
Net cash used in investing activities	(5,222)	(15,097)
Net cash from financing activities	5,642	21,625
Net increase in cash and cash equivalents	12,516	18,750
Cash and cash equivalent at beginning of period	8,422	25,190
Effect of foreign exchange rate changes	987	595
Cash and cash equivalents at end of period	21,925	44,535
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	28,613	44,535
Bank overdrafts	(6,688)	–
	21,925	44,535

Notes:

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements 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 (the "HKICPA") and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. They have been prepared under the historical cost convention, except for certain buildings and financial instruments that are measured at revalued amounts or fair values, as appropriate.

The accounting policies and method of computation used in preparing the unaudited condensed consolidated financial statements are consistent with those used in the audited financial statements for the year ended 31st December 2008 except as described below.

In current period, the Group has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
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

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRS 3 (Revised)	Business Combinations
HKAS 39 (Amendments)	Eligible Hedged Items
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfer of Assets from Customers

Apart from the above, the HKICPA has also issued Improvements to HKFRSs which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 and HK(IFRIC)-Int 9, which are effective for annual periods beginning on or after 1st July 2009, other amendments are effective for annual periods beginning on or after 1st January 2009 although there are separate transitional provisions for each standard.

The condensed consolidated 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 six months ended 30th June 2009						
	Hong Kong HK\$'000	PRC HK\$'000	Japan HK\$'000	North America HK\$'000	European Union countries HK\$'000	Other Asian countries HK\$'000	Total HK\$'000
Turnover	738	75,903	6,298	50,120	29,222	4,516	166,797
Segment results	(1,764)	2,308	229	(527)	125	(467)	(96)
Other revenue							792
Finance costs							(4,910)
Loss before taxation							(4,214)
Taxation							-
Loss for the period							(4,214)
	For the six months ended 30th June 2008						
	Hong Kong HK\$'000	PRC HK\$'000	Japan HK\$'000	North America HK\$'000	European Union countries HK\$'000	Other Asian countries HK\$'000	Total HK\$'000
Turnover	2,369	86,453	11,226	64,488	23,230	12,739	200,505
Segment results	(2,260)	3,059	435	1,308	282	(536)	2,288
Other revenue							751
Finance costs							(4,895)
Loss before taxation							(1,856)
Taxation							928
Loss for the period							(928)

#### (b) Business segments

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

**4. PROFIT/(LOSS) BEFORE TAXATION**

Profit/(loss) before taxation has been arrived at after charging/(crediting):

	<b>For the six months ended 30th June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Depreciation and amortisation	<b>9,978</b>	10,690
Gain on disposal of property, plant and equipment	<b>(16)</b>	-
	<b>=====</b>	<b>=====</b>

**5. TAXATION**

	<b>For the three months ended 30th June</b>		<b>For the six months ended 30th June</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Current taxation	-	339	-	(149)
Deferred taxation	-	(779)	-	(779)
	<b>-----</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>
	<b>-</b>	<b>(440)</b>	<b>-</b>	<b>(928)</b>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

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 six months ended 30th June 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 period 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%.

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 30th June		For the six months ended 30th June	
	2009	2008	2009	2008
Loss attributable to equity holders of the Company (HK\$'000)	<u>(1,475)</u>	<u>(314)</u>	<u>(6,023)</u>	<u>(1,802)</u>
Weighted average number of ordinary shares in issue ('000)	<u>325,090</u>	<u>325,090</u>	<u>325,090</u>	<u>325,090</u>
Basic loss per share (HK cent per share)	<u>(0.45)</u>	<u>(0.10)</u>	<u>(1.85)</u>	<u>(0.55)</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 six months ended 30th June 2009 and 2008.

8. PROPERTY, PLANT AND EQUIPMENT

During the period from 1st January 2009 to 30th June 2009, the Group had additions to property, plant and equipment of approximately HK\$5,659,000 and disposed of property, plant and equipment with net book value of approximately HK\$47,000 for proceeds of about HK\$63,000.

**9. PREPAID LEASE PAYMENTS**

The Group's prepaid lease payments represent land use rights and their net carrying values are analysed as follows:

	<b>30th June 2009 HK\$'000</b>	31st December 2008 HK\$'000
Leasehold land outside Hong Kong, held under medium-term leases	<b>16,118</b>	16,326
Beginning of period	<b>16,326</b>	12,649
Addition	–	3,389
Amortisation of prepaid lease payments	<b>(190)</b>	(510)
Translation adjustment	<b>(19)</b>	798
End of period	<b>16,117</b>	16,326
Analysed for reporting purposes as:		
Current asset	<b>380</b>	380
Non-current asset	<b>15,737</b>	15,946
	<b>16,117</b>	16,326

**10. INTANGIBLE ASSETS**

	<b>Trademark and patents HK\$'000</b>
Cost	
At 1st January 2009	19,682
Translation adjustment	1,133
At 30th June 2009	20,815
Amortisation	
At 1st January 2009	3,936
Charge for the period	667
Translation adjustment	254
At 30th June 2009	4,857
Carrying values	
At 30th June 2009	15,958
At 31st December 2008	15,746

### 11. INVENTORIES

	<b>30th June 2009</b>	31st December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	22,955	24,801
Work-in-progress	7,329	7,903
Finished goods	22,206	24,766
	<u>52,490</u>	<u>57,470</u>

### 12. TRADE AND NOTE RECEIVABLES

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An average credit period is generally for 90 days.

At 30th June 2009, an aged analysis of the Group's trade and note receivables net of allowance for bad and doubtful debts at the reporting date was as follows:

	<b>30th June 2009</b>	31st December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	49,856	39,460
31 – 60 days	24,072	22,282
61 – 90 days	11,886	15,456
91 – 180 days	3,934	9,334
181 – 360 days	5,509	1,827
	<u>95,257</u>	<u>88,359</u>

### 13. TRADE AND NOTE PAYABLES

An aged analysis of the Group's trade and note payables was as follows:

	<b>30th June 2009</b>	31st December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	33,947	21,624
31 – 60 days	19,838	19,427
61 – 90 days	16,211	16,289
91 – 180 days	16,765	24,781
181 – 360 days	1,323	1,667
Over 360 days	1,557	1,121
	<u>89,641</u>	<u>84,909</u>

**14. BANK BORROWINGS**

During the six months ended 30th June 2009, the Group obtained new short-term bank loans in the amount of approximately HK\$46.0 million. The loans bear interest at variable market rates and are repayable within one year. Repayments of short-term bank loans amounting to approximately HK\$59.4 million were made during the period.

**15. SHARE CAPITAL**

	Number of ordinary shares of <i>HK\$0.01 each</i>	Nominal Value <i>HK\$'000</i>
Authorised:		
At 31st December 2008 and 30th June 2009	20,000,000,000	200,000
Issued and fully paid		
At 31st December 2008 and 30th June 2009	<u>325,089,974</u>	<u>3,251</u>

**16. COMMITMENTS****(a) Capital commitment**

	30th June 2009 <i>HK\$'000</i>	31st December 2008 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>-</u>	<u>134</u>

**(b) Operating leases**

At 30th June 2009, the Group had aggregate minimum lease payments under non-cancellable operating lease as follows:

	30th June 2009 <i>HK\$'000</i>	31st December 2008 <i>HK\$'000</i>
Within one year	1,415	1,128
In the second to fifth year inclusive	<u>2,004</u>	<u>2,450</u>
	<u>3,419</u>	<u>3,578</u>

**17. RELATED PARTY TRANSACTIONS**

During the period, the Group entered into the following transactions with related parties:

**(a) Sales**

	<b>For the six months ended</b>	
	<b>30th June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Sales to Sonavox Electronics (Suzhou Industrial Park) Company Limited ( <i>notes i and ii</i> )	<b>136</b>	–

**(b) Amounts due from/to related parties**

	<b>30th June</b>	31st December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Trade receivables due from Asian Elite International Company Limited ( <i>note i</i> )	<b>184</b>	184
Trade receivables due from Sonavox Electronics (Suzhou Industrial Park) Company Limited ( <i>note i</i> )	<b>10</b>	526
Amount due from Suzhou City Xiangchen District Yuanhe Town Collective Assets Operation Company, minority shareholder of a subsidiary	–	3,500
Amount due to Suzhou City Xiangchen District Yuanhe Town Collective Assets Operation Company, minority shareholder of a subsidiary	<b>8,534</b>	–
Trade payables to Sonavox Electronics Inc. ( <i>note i</i> )	<b>4</b>	4
Trade payables to Asian Elite International Company Limited ( <i>note i</i> )	<b>18</b>	18

*Notes:*

- (i) Mr. Yang Tsu Ying and Mr. Yang Ching Yau have beneficial interests.
- (ii) In the opinion of the directors of the Company, the above transactions with related companies are carried out in the ordinary course of business on terms as agreed with the related parties.

## 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 six months ended 30th June 2009, turnover of the Group was decreased by 17% to approximately HK\$166.8 million (2008: HK\$200.5 million).

The Group continued to maintain its leading loudspeaker manufacturer position in the China market. Chinese government has implemented a series of forceful measures to support automotive industry. According to latest statistics from the China Association of Automobile Manufacturers (the "CAAM"), vehicle sales in China in the first half of 2009 grew by 18% when compared with that of same period in 2008. China became the most important market of the Group, and sales of loudspeaker systems in China contributed 45% of the Group's turnover during the period (2008: 43%).

### Financial Review

Sales of loudspeaker systems for automobiles was decreased by 8% to approximately HK\$138.4 million for the six months ended 30th June 2009 (2008: approximately HK\$149.8 million), which accounted for approximately 83% (2008: approximately 75%) of its total turnover. The Group recorded sales of approximately HK\$28.4 million (2008: HK\$50.7 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 six months ended 30th June 2009 was about 19%, while it was about 18% in the previous period.

As a result of decrease in turnover, the Group recorded loss before taxation of approximately HK\$4.2 million for the six months ended 30th June 2009 (2008: loss of approximately HK\$1.9 million).

### 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 30th June 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 Rules 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 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 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 30th June 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 Rules 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 30th June 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 ( <i>Note 1</i> )	Beneficial owner	240,000,000	73.83%
Silver Way Limited ( <i>Note 1</i> )	Interest of a controlled corporation	240,000,000	73.83%
Deutsche Bank International Trust Co. (Cayman) Limited ( <i>Note 1</i> )	Trustee	240,000,000	73.83%
Mr. Yang Tsu Ying ( <i>Note 1</i> )	Beneficiary of a trust	240,000,000	73.83%
Mr. Yang Ching Yau ( <i>Note 1</i> )	Beneficiary of a trust	240,000,000	73.83%
Madam Yang Chuang Ching-Hsiu ( <i>Note 2</i> )	Interest of spouse	240,000,000	73.83%
Ms. Helen Lee ( <i>Note 3</i> )	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 ( <i>Note 2</i> )	Interest of spouse	Share option	2,000,000	0.615%
Helen Lee ( <i>Note 3</i> )	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 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.
- 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 30th June 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 30th June 2009	Exercisable period	Exercise 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 Jun 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 period.

## **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 5.67 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 six months ended 30th June 2009.

## **CORPORATE GOVERNANCE PRACTICES AND PROCEDURES**

The Group believes that enhancing good corporate governance demands long-term commitment from management and that the distinctive roles and functions of different commitments are important in strengthening internal control.

During the review period, the Company has complied with the Code on Corporate Governance Practices as set out in the Appendix 15 of the GEM Listing Rules.

## 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 six months ended 30th June 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, 10th August 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.*