



**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 month ended 31st March 2008  
First Quarterly Report 2008**

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**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM")  
OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK  
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*This report, for which 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.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the review period, automobile loudspeaker systems remained as the Group's major revenue stream, accounting for approximately 71% of its total turnover. Geographically, the turnover is analyzed as follows:

	<b>31 March 2008</b> <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
Hong Kong	<b>1,234</b>	1,655
Mainland China	<b>28,594</b>	21,287
Japan	<b>6,304</b>	5,112
USA and Canada	<b>33,150</b>	56,523
Europe	<b>11,809</b>	4,225
Other Asian countries	<b>7,905</b>	11,367
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Total	<b>88,996</b>	100,169
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Sources with China Association of Automobile Manufacturers, for the first three months of year 2008, sale of sedan cars in Mainland China has significantly increased by 21.42% compared with the same period last year. Nevertheless, the Group experienced a hard time in the home theatre loudspeaker systems segment due to the economic downturn in the U.S. economy. Despite the recession in the U.S. economy, the continuous increase in demand for automobile in Mainland China and European countries together with the Group's developed relationship with renowned automakers, sale of loudspeakers and amplifier systems for automobile still performed well during the review period.

### Financial Review

During the three months ended 31st March 2008, the Group achieved a turnover of approximately HK\$88.9 million (2007: HK\$100.1 million), representing a 11% decrease as compared with the same corresponding period of year 2007.

During the review period, the Group changed its product mix, the gross profit margin increased from 15% to 20% as compared with the same corresponding period of year 2007.

The Group has discontinued to manufacture and sell certain type of low profit margin home theatre loudspeaker systems during the period under review, as a result, the Group's total expenses (excluding finance costs and taxation) for the three months ended 31st March 2008 decreased from approximately HK\$97 million to HK\$88 million. Triggered by the continuous surge of international oil price and weak U.S. dollar, the Group incurred higher transportation cost for the review period. Affected by the stipulation of new labour law in Mainland China, wages and salaries were unavoidably increased during the review period.

### Business Prospects

Although the current economic factors in Mainland China such as the higher oil price, higher wages and salaries and the recession in the U.S. economy, the Directors still believe that most of the automakers in the European countries and U.S. will continuously expand their manufacturing capabilities in Mainland China in order to response the domestic automobile demand in Mainland China and export of automobile from Mainland China. As such, a strong foothold in automobile industry is expected to be further established in the coming period.

## FINANCIAL RESULTS (UNAUDITED)

The board of Directors (the “Board”) of Sonavox International Holdings Limited (the “Company”) herein announces the unaudited consolidated results of the Company and its subsidiaries (together the “Group” or “Sonavox”) for the three months ended 31st March 2008. The unaudited results of the Group for the three months ended 31st March 2008 and comparative figures for the corresponding period in the financial year 2007 were as follows:

		<b>For the three months ended 31st March</b>	
		<b>2008</b>	2007
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>88,996</b>	100,169
Cost of sales		<b>(71,188)</b>	(85,083)
Gross profit		<b>17,808</b>	15,086
Other gains – net		<b>1,240</b>	435
Selling and marketing costs		<b>(6,101)</b>	(3,901)
Administrative expenses		<b>(10,894)</b>	(8,026)
Operating profit		<b>2,053</b>	3,594
Finance costs		<b>(3,072)</b>	(1,908)
(Loss)/profit before income tax	3	<b>(1,019)</b>	1,686
Income tax	4	<b>488</b>	(439)
(Loss)/profit for the period		<b>(531)</b>	1,247
<b>Attributable to:</b>			
Equity holders of the Company		<b>(1,488)</b>	368
Minority interests		<b>957</b>	879
		<b>(531)</b>	1,247
<b>(Loss)/Earnings per share</b>			
– Basic	6	<b>HK(0.458) cent</b>	HK0.113 cent

**1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

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 the applicable disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities and are consistent with those followed in the Group's audited financial statements for the year ended 31st December 2007.

**2. TURNOVER**

The Group is principally engaged in the manufacture and sale of loudspeaker systems to customers in Mainland China and overseas. Accordingly, the Group has determined that geographical segments be presented as the primary reporting format.

Analysis of turnover and revenue in the unaudited consolidated profit and loss account is as follows:

	<b>For the three-month period ended 31st March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Turnover		
Manufacture and sale of loudspeaker systems	<b>88,996</b>	100,169
Other revenue		
Interest income	<b>27</b>	32
Others	<b>641</b>	403
Government subsidy	<b>572</b>	–
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Total revenue	<b>90,236</b>	100,604
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**3. (LOSS)/PROFIT BEFORE INCOME TAX**

The Group had no income generated from investment or disposal of investments, subsidiaries, associates, land use rights or properties for the three-month periods ended 31st March 2007 and 2008.

**4. INCOME TAX**

The amount of taxation charged to the unaudited consolidated profit and loss account represents:

	<b>For the three-month period ended 31st March</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Current taxation		
– Canada corporation income tax	<b>(495)</b>	402
– Mainland China enterprise income tax	<b>7</b>	160
Deferred taxation credited to income tax expenses	<b>–</b>	(123)
	<hr/>	<hr/>
Income tax (credit)/expense	<b>(488)</b>	439
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The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2021. The Company's subsidiary established in the British Virgin Islands is incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, is exempted from payment of the British Virgin Islands income taxes.

The Company's subsidiary established in Canada, Sonavox Canada Inc. ("SCI") is subject to National and Ontario corporation income taxes at an aggregate rate of 34%.

Suzhou Shangsheng Electrics Co. Ltd. ("Shangsheng Electrics"), Suzhou Sonavox Acoustics Co. Ltd. ("Sonavox Acoustics"), Suzhou Shangsheng Technology Co. Ltd. ("Shangsheng Technology") and Suzhou Hesheng Industrial Co., Ltd. ("Suzhou Hesheng"), being foreign investment enterprises established in the Coastal Open Economic Region of Suzhou, Mainland China, are subject to preferential enterprise income tax ("EIT") rate of 27%, representing 24% state EIT rate and 3% local EIT rate, and 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. Sonavox Acoustics, Shangsheng Technology and Suzhou Hesheng have been reporting tax loss since its establishment.

Shangsheng Electrics was exempted from Mainland China enterprise income tax up to 31st December 1997 and it is subject to EIT at a rate of 15% from 1st January 1998 to 31st December 2000. Pursuant to an approval from the local tax authority of Mainland China, Shangsheng Electrics continued to be entitled to 50% reduction in tax rate from 1st January 2001 to 31st December 2003, being qualified as a "new and high technology enterprise". The tax exemption and reduction period of Shangsheng Electrics expired in 2005. As Shangsheng Electrics is recognised as a "Technology-incentive and Labour-incentive Enterprise", it is currently subject to EIT of 15%.

No provision for Hong Kong profits tax has been made as there is no assessable profit (2007: nil) for the subsidiaries operating in Hong Kong during the period ended 31st March 2008.

**5. INTERIM DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the three months ended 31st March 2008 (2007: Nil) so as to retain resources for future expansion.

**6. (LOSS)/EARNINGS PER SHARE**

The calculation of the basic and diluted (loss)/earnings per share (unaudited) is as follows:

	<b>For the three-month period ended 31st March</b>	
	<b>2008</b>	<b>2007</b>
(Loss)/profit attributable to shareholders ( <i>in HK\$'000</i> )	<b>(1,488)</b>	368
Weighted average number of shares for the purpose of basic (loss)/earnings per share calculation ( <i>in '000</i> )	<b>325,090</b>	325,090
(Loss)/earnings per share – Basic	<b><u>HK(0.458) cent</u></b>	<b><u>HK0.113 cent</u></b>

The exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share for the period ended 31st March 2008.

**7. RESERVES (UNAUDITED)**

Movements of the Group's reserves for the three-month periods ended 31st March 2007 and 2008 were as follows:

	Share premium HK\$'000	Property revaluation reserve HK\$'000	Statutory reserves HK\$'000	Merger reserve HK\$'000	Share-based payment reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 1st January 2008 (audited)	27,682	2,598	7,250	2,441	1,948	15,235	27,735	84,889
Loss for the three-month period	-	-	-	-	-	-	(1,488)	(1,488)
Translation adjustments	-	-	-	-	-	4,340	-	4,340
At 31st March 2008 (unaudited)	<u>27,682</u>	<u>2,598</u>	<u>7,250</u>	<u>2,441</u>	<u>1,948</u>	<u>19,575</u>	<u>26,247</u>	<u>87,741</u>
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Statutory reserves HK\$'000	Merger reserve HK\$'000	Share-based payment reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 1st January 2007, as restated (audited)	27,682	2,598	6,813	2,441	1,948	6,255	33,868	81,605
Profit for the three-month period	-	-	-	-	-	-	368	368
Translation adjustments	-	-	-	-	-	(188)	-	(188)
At 31st March 2007 (unaudited)	<u>27,682</u>	<u>2,598</u>	<u>6,813</u>	<u>2,441</u>	<u>1,948</u>	<u>6,067</u>	<u>34,236</u>	<u>81,785</u>

**Liquidity, Financial Resources and Treasury Policies**

During the three months ended 31st March 2008, the Group's major business operations took place in Mainland China and Canada, financed mainly by the cash revenue generated from operating activities and by corporate borrowings. As at 31st March 2008, the Group had cash and bank deposits of approximately HK\$33,371,000 (31st December 2007: HK\$25,190,000). Current ratio increased from 0.91 as at 31st December 2007 to 0.94 mainly due to the Group raised new loans in Mainland China and Hong Kong during the period. The increase in cash and bank deposits was primarily attributable to the increase in trade payables and decrease in trade receivables by the end of the financial period. The Group had bank overdrafts of approximately HK\$10,183,000 (31st December 2007: HK\$9,269,000) bearing interest rates at commercial prime lending rate plus 0.75% per annum and short-term bank loans of approximately HK\$79,229,000 (2007: HK\$66,912,000) bearing interest rates ranging from 3.95% to 6.10% per annum with repayment within a year.

The Group adopts conservative treasury policies in managing its cash and financial matters, with all the Group's treasury activities carried out in Canada, Mainland China and Hong Kong. Currently, cash and bank deposits are placed in interest-bearing bank accounts denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB"), U.S. dollars ("USD"), European dollars ("Euros") and Canadian dollars ("CAD"). The Group's liquidity and financial arrangements are reviewed regularly by the Board and senior management.

### Capital Commitments and Contingent Liabilities

As at 31st March 2008, the Group had capital commitment of approximately HK\$7,531,000 in respect of the acquisition of plant and equipment in Mainland China and non-cancellable operating lease commitments of approximately HK\$4,192,000.

Suzhou Shangsheng Technology Co., Ltd. and Suzhou Hesheng Industries Co., Ltd. were established in 2006 with registered capital of US\$13,000,000 and US\$5,000,000 respectively. As at 31st March 2008, the Group had outstanding commitments of approximately US\$3,931,000 and US\$2,550,000 respectively for capital contribution to these two subsidiaries.

As at 31st March 2008, the Group did not have any significant contingent liabilities.

### Material Acquisition/Disposals and Significant Investment

The Group had no material acquisition which would have been required to be disclosed under the GEM Listing Rules.

At present, the Group has no future plan for material disposal of significant investments.

### Exposure on Exchange Rate Fluctuation

Most of the Group's bank borrowings were denominated in RMB, CAD and USD, whilst receipts and expenditures of the Group were denominated in RMB, HKD, USD, Euros and CAD during the year. The Group is subject to foreign exchange exposure in RMB/CAD against USD and Euros. However, the Group was able to partially mitigate the foreign exchange impact by entering sale transaction with overseas customers denominated in RMB and entering purchase contract with overseas suppliers in USD. The Directors and senior management will continue to monitor closely the exchange risks and hedging by forward contracts and applicable derivatives when necessary.

### Banking Facilities and Pledge of Assets

The Group had aggregate banking facilities of approximately HK\$115,898,000 for overdrafts and loan financing as at 31st March 2008. Unused bank facilities as at the same date amounted to approximately HK\$18,123,000. These facilities were secured by pledges over land use rights, buildings and certain trade receivables of the Group.

### Number of Employees

A breakdown of the number of employees of the Group by function as at 31st March 2008 and 31st December 2007 were set out below:

	As at 31st March 2008	As at 31st December 2007
Management and administration	70	69
Sales and marketing	58	43
Manufacturing and operations	1,669	1,612
Research and development	90	91
Quality assurance and quality control	154	150
Finance and accounting	14	14
	<hr/>	<hr/>
Total	<b>2,055</b>	<b>1,979</b>

**Remuneration of Employees and Policies**

The Group recognises that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance.

The Group enjoys good relations with staff and has not experienced any disruption of operations due to major labour disputes. In addition to the remuneration as mentioned above, the Group also provides fringe benefits which comply with the relevant laws and regulations of the Mainland China, Canada and Hong Kong in relation thereto including contributions to society security scheme of the Mainland China, contribution to the Mandatory Provident Fund Scheme of Hong Kong, mandatory Canada Pension Plan and provision of training programmes to eligible employees.

Total employee benefit expense incurred for the three month ended 31st March 2008 increased to approximately HK\$16,247,000 (2007: HK\$13,030,000) due to increase in number of employees and statutory salary and pension costs increased for workers and managerial staff and quality control staff in Mainland China and Canada during the period under review. The Company's directors had received remuneration of approximately HK\$147,000 (2007: HK\$147,000) during the three months ended 31st March 2008.

**Training Schemes**

The Group provides on-going training programmes for its employees to keep them abreast of the latest market trends and new technologies of loudspeaker systems, and also to enhance their knowledge on latest international quality standards. During the period, the Group provided different training programmes to its management staff to sharpen their management skills and techniques.

**OTHER INFORMATION**

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**Purchase, sale or redemption of shares**

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

**Pre-emptive rights**

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Companies Law (Revised) of the Cayman Islands.

**Connected transactions**

On 28th February 2007, Sonavox Acoustics entered into sale and purchase agreements (the "Agreements") with Asian Elite International Company Limited ("Asian Elite"), a company incorporated in Mainland China and indirectly wholly-owned by Mr. Yang Ching Yau, and Sonavox Electronics (Suzhou Industrial Park) Company Limited ("Sonavox Electronics"), a company incorporated in Mainland China and indirectly owned as to 95% by Mr. Yang Ching Yau and his family members, respectively. Pursuant to the Agreements, Sonavox Acoustics has agreed to purchase amplifier systems from Asian Elite, subwoofers and tweeter systems from Sonavox Electronics.



### Directors' and Chief Executives' Interests or Short Positions in the Shares or Debentures

As at 31st March 2008, the interests and short positions of the Directors and Chief Executives 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 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 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 in this paragraph, as at 31st March 2008, 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 2008, 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%
HSBC International Trustee 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:*

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 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.
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 31st March 2008, 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.

### Other interests discloseable under the SFO

Save as disclosed in the preceding paragraphs headed “Directors’ and Chief Executives’ Interests or Short Positions in the Shares or Debentures” and “Substantial Shareholders”, so far as is known to the Directors, there is no other person or company who has an interest or short position in the shares, underlying shares or debentures of the Company that is discloseable under the SFO.

### 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 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.

### Rights of Directors and employees to acquire shares or debentures

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include any directors, employees, consultants or professional advisors, and suppliers or customers of the Group. The Scheme became effective on 8th July 2002 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years commencing on the effective date. The share options granted to and held by the Company’s directors during the period were as follows:

Name	Outstanding as at 31st December 2007 and 31st March 2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Exercise period	Subscription price HK\$
Mr. Yang Tsu Ying	2,000,000	-	-	-	28th June 2005 to 27th June 2015	0.345
Mr. Yang Ching Yau	2,000,000	-	-	-	28th June 2005 to 27th June 2015	0.345

### Directors’ interests in contracts

No contracts of significance in relation to the Group’s business to which the Company, its subsidiaries or its holding company, was a party and in which any of the Company’s directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

### Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

**Audit Committee**

The Company established an audit committee on 8th July 2002 with written terms of reference in compliance with Rules 5.28 to 5.33 and Appendix 15 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee members include:

Mr. Fan Chi Fai, Paul\* – Committee Chairman  
Mr. Yiu Chi Wah\*  
Mr. Wong Kai Tung, Simon\*

\* *Independent non-executive Director*

In the audit committee meeting held on 13th May 2008, the financial results and the financial position, major accounting and internal auditing issues of the Group for the period ended 31st March 2008 were reviewed and reported to the Board of Directors.

**Nomination Committee**

The nomination committee was established on 28th June 2005 with written terms of reference in compliance with Appendix 15 of the GEM Listing Rules and chaired by the independent non-executive Director to make recommendations to the Board on the appointment of Directors and the senior management personnel with reference to certain guidelines as endorsed by the nomination committee members. The nomination committee members include a majority of independent non-executive Directors as follows:

Mr. Yang Ching Yau – Committee Chairman  
Mr. Yiu Chi Wah\*  
Mr. Wong Kai Tung, Simon\*

\* *Independent non-executive Director*

**Remuneration Committee**

The remuneration committee was established on 28th June 2005 with written terms of reference in compliance with Appendix 15 of the GEM Listing Rules and is chaired by an independent non-executive Director with the responsibility of approving the remuneration policy for all directors and senior executives. The remuneration committee members include a majority of independent non-executive Directors as follows:

Mr. Yiu Chi Wah\* – Committee Chairman  
Mr. Wong Kai Tung, Simon\*  
Mr. Fan Chi Fai, Paul\*  
Mr. Yang Ching Yau

\* *Independent non-executive Director*

**Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no 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 Company's Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the period ended 31st March 2008.

### **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 committees are important in strengthening internal control.

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

On behalf of the Board,  
**Yang Ching Yau**  
*Executive Director*

Hong Kong, 14th May 2008

*As at the date of this report, the Board of the Company 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. Wong Kai Tung, Simon, and Mr. Fan Chi Fai, Paul.*