



**SONAVOX INTERNATIONAL HOLDINGS LIMITED**

**上聲國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

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**INTERIM REPORT 2002**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims 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 of Sonavox International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Sonavox International Holdings Limited. 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.*

## CONTENTS

Business Review and Prospect	2
Condensed Combined Income Statements	7
Condensed Combined Balance Sheets	8
Condensed Combined Cash Flow Statements	9
Condensed Combined Statement of Changes in Shareholders' Equity	10
Notes to the Unaudited Combined Financial Statements	11
Other Information	19

## Business Review and Prospect

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### TO OUR SHAREHOLDERS

The Board of Directors (the "Board") of Sonavox International Holdings Limited (the "Company") herein announces the unaudited combined results of the Company and its subsidiaries (together the "Group" or "Sonavox") for the six months ended 30th June, 2002.

Subsequent to 30th June, 2002, the Company was successfully listed on GEM of the Stock Exchange on 19th July, 2002, taking a major leap forward in its business development. The Group offered 80 million shares by placing to raise \$40,000,000. Net proceeds of the placing were approximately \$31,000,000 after deducting all relevant expenses, which will mainly be used for the expansion of production facilities, the research and development of new products as well as for additional marketing and promotional activities.

### FINANCIAL REVIEW

Benefiting from the growth of the automobile industry and the growing average consumer spending rate in the People's Republic of China ("PRC"), the Group achieved a combined turnover of approximately \$31,295,000, representing a growth of approximately 71% as compared with the same period last year. Profit attributable to shareholders surged 2.08 times to approximately \$2,170,000.

Overseas sales reached approximately \$7,625,000 for the six-month period ended 30th June, 2002, accounting for approximately 24% of the Group's total turnover. These overseas markets represented sales to Japan, Europe and United States amounted to approximately \$5,264,000, \$2,047,000 and \$314,000 respectively. Over the past six months, the Group was committed to exploring overseas markets, particularly Japan, Europe and the United States. Revenue generated from these markets therefore increased by over 27 times compared with the same corresponding period in financial year 2001. The Directors expect that sales will continue to grow for the second half of this year as the Group is actively exploring these overseas markets and expanding its sales network in these overseas markets.

The total expenses of the Group for the six months ended 30th June, 2002 was approximately \$27,509,000, representing approximately 59% increase when comparing to that of the same corresponding period in the financial year 2001. The increase was mainly attributable to the establishment of Sonavox Acoustics Co., Ltd. Suzhou ("Sonavox Acoustics") and a higher level of business operations during the six-month period ended 30th June, 2002.

## Business Review and Prospect

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### LIQUIDITY, FINANCIAL RESOURCES AND TREASURY POLICIES

During the six-month period ended 30th June, 2002, the Group's operations were mainly carried out in the PRC and were financed mainly by the cash revenue generated from its operating activities and partly from short-term bank loans. As at 30th June, 2002, the Group had cash at bank and in hand of approximately \$7,425,000. The Group achieved better performance in terms of its liquidity ratios with current ratio of 1.37 and gearing ratio of 1.22 as at 30th June, 2002, compared with the 1.06 and 1.94 respectively as at 31st December, 2001. The gearing ratio was calculated based on the total liabilities over the shareholders' equity as at the balance sheet dates. As at 30th June, 2002, the Group had total liabilities amounted to approximately \$24,007,000 including short-term bank loans of RMB9,100,000 (equivalent to approximately HK\$8,663,000). Such short-term bank loans bore interest at rates ranging from 3.5% to 4.5% per annum with repayment within one year. Barring unforeseen circumstances, and taking into account the profitability of the last six months, the current level of business activities as well as the completion of the placing and capitalisation issue on 19th July, 2002 and the available banking facilities, the Directors and senior management are confident that the Group is generating sufficient funds to meet its daily business operation requirements as well as to finance new audio product development.

The Group adopts conservative treasury policies in managing its cash and financial matters, all the Group's treasury activities are centralised and carried out in Hong Kong. Currently, cash at bank and in hand, including net proceeds of approximately \$31,000,000 from completion of the placing on 19th July, 2002, is placed on deposits or interest-bearing bank accounts denominated in Hong Kong dollars. The Group's liquidity and financing arrangements are reviewed regularly by the Directors and senior management.

### CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group did not have any significant capital commitment and contingent liabilities as at 31st December, 2001 and 30th June, 2002.

## **Business Review and Prospect**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

### **MATERIAL ACQUISITION/DISPOSALS AND SIGNIFICANT INVESTMENT**

Saved as disclosed in the subsection headed "Group reorganisation" in the section headed "Statutory and general information" in Appendix IV to the prospectus dated 15th July, 2002, the Group had no material acquisitions, disposals and investment. At present, the Group has no future plan for material acquisitions or disposal of significant investments other than those set out in the section headed "Future plans and business objectives" in the prospectus.

### **EXPOSURE ON EXCHANGE RATE FLUCTUATION**

Most of the Group's purchases and expenses were denominated in Renminbi ("RMB") and the Group's revenue was denominated in RMB and U.S. dollars during the period under review. Therefore, the Group was not exposed to any significant fluctuations in exchange rates and related hedges during the period under review.

### **BANKING FACILITIES AND PLEDGE OF ASSETS**

As at 30th June, 2002, the Group had aggregate banking facilities of approximately \$14,280,000 for overdrafts and loan financing. Unused facilities as at the same date amounted to approximately \$5,617,000. These facilities were secured by the land use rights and building ownership rights owned by certain PRC subsidiaries of the Group together with a corporate guarantee given by a PRC subsidiary. The net book values of such land use rights and building ownership rights was approximately \$22,344,000 as at 30th June, 2002.

### **INTERIM DIVIDEND**

To retain the resources for future development, the Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2002 (2001: Nil).

### **BUSINESS REVIEW**

During the review period, growth of the automobile industry was further stimulated with the PRC's entry into the World Trade Organisation ("WTO"). The sales of automobiles in the PRC in the first half of 2002 increased by approximately 39% to 492,430 units as compared to the same period last year. This prosperous industry environment facilitated

## Business Review and Prospect

(Amounts expressed in Hong Kong dollars unless otherwise stated)

the growth of the Group's automobile loudspeaker systems business with turnover up approximately 87% as compared to the same period last year, reaching approximately \$24,570,000. Shanghai General Motors and Dongfeng-Citroën contributed most significantly to the increase in sales of the Group's loudspeaker systems for automobiles during the past six months.

In June 2002, the development of loudspeaker systems for the Sail automobile model manufactured by Shanghai General Motors, was selected by the Science and Technology Commission of Jiangsu Province as a Torch Project for the PRC ("2002 年度國家火炬計劃"). The Group was granted an unsecured technology loan by the local branch of a PRC bank to the extent of RMB5,000,000 (equivalent to approximately HK\$4,760,000). This once again demonstrates the Group's excellence in research and development.

Armed with its strong research and development capability, along with its quality products and solid experience in serving the world's leading automobile manufacturers, the Group successfully secured contracts from Jiangsu Nanya Auto Co., Ltd. ("Nanjing Fiat/南京 — 菲亞特"), Jinbei GM Automotive Co. Ltd. ("金杯通用汽車有限公司") in the PRC and Fiat Auto S.P.A. ("意大利 — 菲亞特"), further widening its customer base.

Turning to home theatres loudspeaker systems, the adoption of effective marketing strategies as well as the commitment of Sonavox's management to capture larger market share, the sales of loudspeaker systems for home theatres increased approximately 29% from approximately \$5,224,000 during the six months ended 30th June, 2001 to approximately \$6,725,000 in the period under review.

As Sonavox is committed to embracing the latest market trends and new technologies in order to cope with the evolving needs of customers, the Group's research and development team is constantly upgrading existing technical skills and developing new products. Up to 30th June, 2002, the Group has designed and manufactured more than 260 types of loudspeaker systems for automobiles and more than 70 types of loudspeaker systems for home theatres.

Additionally, Sonavox strongly believes in quality. Training programmes and examinations for ISO 14000 quality certification were organised by the Shanghai Audit Centre of Quality System in March 2002 and for the ISO/TS 16949 quality system by TÜV Management Services GmbH in April 2002. The main objective of these training

## Business Review and Prospect

(Amounts expressed in Hong Kong dollars unless otherwise stated)

programmes and examinations were not only to educate the Group's employees on the requirements for ISO 14000 and ISO/TS 16949, but also to improve its technical skills and provide quality services to customers. Barring unforeseen circumstances, senior management is confident that Sonavox will obtain ISO 14000 and ISO/TS 16949 certificates before December 2002.

### PROSPECTS

With the PRC's entry into the WTO, the Directors expect that the PRC's loudspeaker systems market will remain strong in the foreseeable future. The Group therefore expand its research and development activities and will allocate greater resources to develop new models, such as thin-profile loudspeakers, digital-ready loudspeakers, commercial public announcement loudspeaker systems used in department stores, government buildings, airports and train stations and professional loudspeaker systems used in disco floors, music halls and theatres.

Apart from new product development, the Group is also committed to improve the quality, performance and functionality of its major products. The Group is also seeking suitable opportunities to form alliance with universities, research institutes and other technological partners in the PRC and overseas to enhance its research and development capabilities.

To expand its revenue base, the Group is actively exploring overseas markets, such as the United States, Europe, Japan and the Asia-Pacific region. The results so far have been encouraging, and the Group is looking forward to promoting its corporate image and capabilities in the global marketplace.

Looking ahead, with the continuing process of reform in the PRC and together with the Group's well-established manufacturing record for quality loudspeaker systems for automobiles and home theatres to leading customers both in the PRC and overseas, the Group expects that it will become a major beneficiary in the future development and expansion of the automobiles and audio-visual market in the PRC and overseas.



## Condensed Combined Income Statements

(Expressed in Hong Kong dollars)

The unaudited results of the Group for the six months ended 30th June, 2002 and comparative figures for the corresponding period in financial year 2001 are as follows:

	Note	For the three months ended 30th June,		For the six months ended 30th June,	
		2002 \$'000 (Unaudited)	2001 \$'000 (Unaudited)	2002 \$'000 (Unaudited)	2001 \$'000 (Unaudited)
Turnover	3	18,380	11,934	31,295	18,353
Cost of sales		(12,689)	(8,594)	(21,330)	(13,215)
Gross profit		5,691	3,340	9,965	5,138
Other revenue		—	169	50	182
Selling and distribution expenses		(767)	(366)	(1,778)	(836)
General and administrative expenses		(1,479)	(1,054)	(3,479)	(2,884)
Profit from operations		3,445	2,089	4,758	1,600
Finance costs		(150)	(114)	(267)	(125)
Profit before taxation	4	3,295	1,975	4,491	1,475
Taxation	5	(463)	(254)	(655)	(254)
Profit after taxation but before minority interests		2,832	1,721	3,836	1,221
Minority interests		(1,332)	(727)	(1,666)	(516)
Profit attributable to shareholders		1,500	994	2,170	705
Earnings per Share — Basic (cents)	7	0.625	0.414	0.904	0.294

**Condensed Combined Balance Sheets**

(Expressed in Hong Kong dollars)

		As at 30th June, 2002 \$'000 (Unaudited)	As at 31st December, 2001 \$'000 (Audited)
	Note		
<b>Non-current assets</b>			
Property, plant and equipment		37,793	40,782
<b>Current assets</b>			
Inventories	8	12,733	8,831
Trade debtors	9	12,025	17,685
Deposits, prepayments and other receivables		726	2,110
Cash at bank and in hand		7,425	7,264
<b>Total current assets</b>		<b>32,909</b>	<b>35,890</b>
<b>Current liabilities</b>			
Trade creditors	10	(6,141)	(6,898)
Accrued expenses and other payables		(6,253)	(13,704)
Amount due to a shareholder	11	(2,481)	(6,940)
Tax payable		(469)	(1,358)
Bank loans		(8,663)	(4,950)
<b>Total current liabilities</b>		<b>(24,007)</b>	<b>(33,850)</b>
<b>Net current assets</b>		<b>8,902</b>	<b>2,040</b>
<b>Total assets less current liabilities</b>		<b>46,695</b>	<b>42,822</b>
Minority interests		(27,045)	(25,380)
<b>Net assets</b>		<b>19,650</b>	<b>17,442</b>
<b>Capital and reserves</b>			
Share capital	12	—	—
Reserves		19,650	17,442
<b>Shareholders' equity</b>		<b>19,650</b>	<b>17,442</b>

**Condensed Combined Cash Flow Statements**

(Expressed in Hong Kong dollars)

	For the six months ended	
	30th June,	
	2002	2001
	\$'000	\$'000
	(unaudited)	(unaudited)
<b>Net cash inflow from operating activities</b>	<b>3,826</b>	<b>1,124</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	—	120
Interest paid on bank loans	(267)	(163)
<b>Net cash outflow from investments and servicing of finance</b>	<b>(267)</b>	<b>(43)</b>
<b>Taxation</b>		
PRC enterprises income tax paid	(1,544)	(677)
<b>Investing activities</b>		
Purchases of property, plant and equipment	(1,279)	(9,778)
Proceeds from disposal of property, plant and equipment	171	—
<b>Net cash outflow from investing activities</b>	<b>(1,108)</b>	<b>(9,778)</b>
<b>Financing</b>		
New bank loans raised	8,283	7,752
Repayment of bank loans	(4,570)	(11,862)
Repayment to a shareholder	(4,459)	—
<b>Net cash outflow from financing activities</b>	<b>(746)</b>	<b>(4,110)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>161</b>	<b>(13,484)</b>
Cash and cash equivalents, at beginning of period	7,264	17,880
<b>Cash and cash equivalents, at end of period</b>	<b>7,425</b>	<b>4,396</b>

**Condensed Combined Statement of Changes in Shareholders' Equity**

(Expressed in Hong Kong dollars)

The movements in shareholders' equity for the six-month periods ended 30th June, 2001 and 2002 are as follows:

	Paid-up capital (Note 12) \$'000	Statutory reserves \$'000	Retained earnings \$'000	Total \$'000
Balance as at 1st January, 2001 (Audited)	—	2,841	8,552	11,393
Profit for the six-month period	—	—	705	705
Cumulative translation adjustments	—	(30)	—	(30)
Balance as at 30th June, 2001 (Unaudited)	—	2,811	9,257	12,068
Balance as at 1st January, 2002 (Audited)	—	3,227	14,215	17,442
Profit for the six-month period	—	—	2,170	2,170
Cumulative translation adjustments	—	38	—	38
Balance as at 30th June, 2002 (Unaudited)	—	3,265	16,385	19,650

**Notes to the Unaudited Combined Financial Statements**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

**1. GROUP REORGANISATION**

The Company was incorporated in the Cayman Islands on 22nd October, 2001 and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands. By the resolutions of the sole shareholder of the Company dated 8th July, 2002, the placing of the Company's Shares were approved. The Shares of the Company were listed on the GEM of the Stock Exchange since 19th July, 2002.

Subsequent to 30th June, 2002 and on 8th July, 2002, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation ("the Reorganisation"). The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the summary of the unaudited combined income statements and combined cash flow statements of the Group for the six-month periods ended 30th June, 2001 and 2002 has been prepared as if the current group structure had been in existence throughout each of the periods under review, or since the dates of incorporation of the individual companies, where this is a shorter period. The combined balance sheets of the Group as at 31st December, 2001 and 30th June, 2002 have been prepared to present the assets and liabilities of the companies comprising the Group as at that dates, as if the current group structure had been in existence as at these dates.

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

The unaudited combined financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The unaudited combined financial statements for the three-month period and the six-month period ended 30th June, 2002 have been reviewed by the audit committee of the Company.

**Notes to the Unaudited Combined Financial Statements**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

The preparation of unaudited combined financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The accounting policies adopted in preparing the unaudited combined financial statements of the Company for the three-month period and the six-month period ended 30th June, 2002 are consistent with those followed in the accountants' report as set out in the prospectus of the Company dated 15th July, 2002.

**3. TURNOVER**

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances and value added taxes during the six-month period.

Turnover consisted of:

	For the six months ended 30th June,			
	2002		2001	
	\$'000	%	\$'000	%
	(unaudited)		(unaudited)	
<b>By geographical area (a)</b>				
The PRC	23,670	75%	18,079	99%
Japan	5,264	17%	—	—
Europe	2,047	7%	—	—
United States	314	1%	—	—
Taiwan	—	—	274	1%
	<b>31,295</b>	<b>100%</b>	<b>18,353</b>	<b>100%</b>

**Notes to the Unaudited Combined Financial Statements**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

	For the six months ended 30th June,			
	2002		2001	
	\$'000	%	\$'000	%
	(unaudited)		(unaudited)	
<b>By products (b)</b>				
Loudspeaker systems for automobiles	24,570	79%	13,129	72%
Loudspeaker systems for home theatres	6,725	21%	5,224	28%
	31,295	100%	18,353	100%

Notes:

- (a) Turnover by geographical area is determined on the basis of the destination of delivery of loudspeaker systems for the Group's sales of loudspeaker systems. No analysis of profit before taxation by geographical area is presented as it is generally in line with the distribution of turnover as set out above. No segmental information analysed by geographical area for the same corresponding period in year 2001 was separately presented as the Group's major market was in the PRC.
- (b) No segmental information analysed by principal activity is separately presented as the Group's segment revenue, expenses, results, assets and liabilities are primarily attributable to the manufacture and sales of loudspeaker systems.

**4. PROFIT BEFORE TAXATION**

The Group had no income generated from investment or disposal of investments, subsidiaries, associates, land use rights or properties for the six-month periods ended 30th June, 2001 and 2002. Depreciation and amortisation of approximately \$2,421,000 and approximately \$3,567,000 were provided for properties, plant and equipment during the six-month periods ended 30th June, 2001 and 2002 respectively.

**Notes to the Unaudited Combined Financial Statements**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

**5. TAXATION**

	For the three months ended 30th June,		For the six months ended 30th June,	
	2002 \$'000 (unaudited)	2001 \$'000 (unaudited)	2002 \$'000 (unaudited)	2001 \$'000 (unaudited)
The charge				
comprises:				
PRC enterprise				
income tax	463	254	655	254

Pursuant to the relevant laws and regulations in the PRC, all PRC subsidiaries of the Group which comprised Suzhou Shangsheng Electrics Co., Ltd. ("Shangsheng Electrics"), Suzhou Shangsheng Enterprises Co., Ltd. ("Shangsheng Enterprises") and Sonavox Acoustics, were entitled to full exemption from PRC enterprises income tax for two years commencing from the first profit-making year followed by a 50% reduction of PRC state enterprises income tax.

The PRC enterprises income tax rate applicable to the Group's PRC subsidiaries were 27% (24% state income tax plus 3% local income tax). The state income tax rate of 24% applies to the foreign investment enterprises established in Suzhou which is one of the Coastal Open Economic Regions.

The first profit-making year of Shangsheng Electrics was the year 1996 and the tax exemption period expired in the year 1997. For the year ended 31st December, 2000, Shangsheng Electrics was taxed at 12%, on the assessable income, a reduced income tax rate of 50%. Pursuant to an approval received from the local tax authorities on 17th January, 2002, Shangsheng Electrics would be entitled to a 50% income tax reduction for three years from 2001 to 2003 as being qualified as a "new and high technology enterprise". Renewal of this preferential tax treatment will be subject to review by the relevant accreditation authority every two years.



## Notes to the Unaudited Combined Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

The first profit-making year of Shangsheng Enterprises was the year 1999 and the exemption period expired in the year 2000. Shangsheng Enterprises would be taxed at the reduced income tax rate of 12% for three years starting from the year ended 31st December, 2001.

For Sonavox Acoustics it had not yet commenced the first profit-making year.

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong during the six-month period ended 30th June, 2002 and the same corresponding period of financial year 2001.

There was no significant unprovided deferred taxation in respect of the period.

### 6. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2002 (30th June, 2001: Nil).

### 7. EARNINGS PER SHARE

The calculation of the earnings per Share for the three-month periods and the six-month periods ended 30th June, 2001 and 2002 is based on the unaudited profit for the period and on the 240,000,000 Shares in issue immediately preceding the issue of the prospectus dated 15th July, 2002 in connection with the reorganisation in preparation for the Company's shares to be listed on the GEM of the Stock Exchange on 19th July, 2002.

**Notes to the Unaudited Combined Financial Statements**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

**8. INVENTORIES**

Inventories consisted of:

	As at 30th June, 2002 \$'000 (Unaudited)	As at 31st December, 2001 \$'000 (Audited)
Raw materials	5,897	4,197
Work-in-progress	1,458	1,144
Finished goods	5,378	3,490
	<b>12,733</b>	<b>8,831</b>

**9. TRADE DEBTORS**

The Group provided credit to customers in accordance with its established credit policies ranging from 30 to 90 days. The aging analysis of trade debtors is as follows:

	As at 30th June, 2002 \$'000 (Unaudited)	As at 31st December, 2001 \$'000 (Audited)
Within 30 days	6,034	11,988
More than 30 days, and within 60 days	2,481	4,686
More than 60 days, and within 90 days	2,569	633
More than 90 days, and within 120 days	882	378
Over 120 days	588	529
	<b>12,554</b>	<b>18,214</b>
Less: Provision for bad debts	(529)	(529)
	<b>12,025</b>	<b>17,685</b>

**Notes to the Unaudited Combined Financial Statements**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

**10. TRADE CREDITORS**

The aging analysis of trade creditors is as follows:

	As at 30th June, 2002 \$'000 (Unaudited)	As at 31st December, 2001 \$'000 (Audited)
Within 30 days	1,700	1,996
More than 30 days, and within 60 days	1,804	2,001
More than 60 days, and within 90 days	1,405	1,957
More than 90 days, and within 120 days	369	155
Over 120 days	863	789
	<b>6,141</b>	<b>6,898</b>

**11. AMOUNT DUE TO A SHAREHOLDER**

The amount was unsecured, non-interest bearing and without fixed repayment term. Subsequent to 30th June, 2002, the amount had been settled by the allotment and issue of one ordinary share of US\$1 (equivalent to approximately HK\$8) in Taraki Inc., an intermediate holding company of the Group, to the shareholder, Newood Consultancy Limited.

**12. SHARE CAPITAL**

The combined share capital of US\$1 (equivalent to approximately HK\$8) of the Group represented the combined issue share capital of the Company and Taraki Inc., an intermediate holding company of the Group. The share of the Company was at \$0.01 each in the share capital of the Company ("Share(s)").

**13. CONTINGENT LIABILITIES**

At 30th June, 2002, the Group had no significant contingent liabilities.

**Notes to the Unaudited Combined Financial Statements**

(Amounts expressed in Hong Kong dollars unless otherwise stated)

**14. ULTIMATE HOLDING COMPANY**

At present, the Directors of the Company consider Newood Consultancy Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

**15. SUBSEQUENT EVENTS**

The following significant transactions took place subsequent to 30th June, 2002 and up the date of the listing of the Company's Shares on the GEM of the Stock Exchange on 19th July, 2002:

- a. resolutions of the sole shareholder of the Company were passed on 8th July, 2002 to effect the transactions which are set out in the sub-section headed "Resolutions in writing of the sole shareholder of the Company passed on 8th July, 2002" in Appendix IV to the prospectus dated 15th July, 2002;
- b. the companies comprising the Group underwent the reorganisation to rationalise the Group's structure in preparation for the Company's shares to be listed on GEM on 19th July, 2002. Details of which are set out in sub-section headed "Group reorganisation" in the section headed "Further information about the Company and its subsidiaries" in Appendix IV to the prospectus dated 15th July, 2002.

**16. COMPARATIVE FIGURES**

For the three-month period and the six-month period ended 30th June, 2002, the unaudited combined results included the results of the companies comprising the Group, using the basis of merger accounting, as if the Group had been in existence since 1st January, 2002. In addition, certain comparative figures have been reclassified to conform to the current period's presentation.

## Other Information

### DIRECTORS' INTEREST IN SHARES

Subsequent to 30th June, 2002 and immediately after completion of the placing and the capitalisation issue on 15th July, 2002, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interest in which they are taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance). When the Shares are listed on 19th July, 2002 or which will be required pursuant to section 29 of the SDI Ordinance to be entered in the register referred to therein, when the Shares are listed on 19th July, 2002, or pursuant to the GEM Listing Rules to be notified to the Company and the Stock Exchange when the Shares are listed will be as follows:

Director	Other interests	Total interests
Mr. Yang Tsu Ying (Note)	240,000,000	240,000,000
Mr. Yang Ching Yau (Note)	240,000,000	240,000,000

Note: These Shares will be registered in the name of 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.

### RIGHTS OF DIRECTORS AND EMPLOYEES TO ACQUIRE SHARES

During the six-month period ended 30th June, 2002 and up to the date of listing on 19th July, 2002, neither the Directors nor the employees of the Group was granted options to subscribe for Shares. As at 30th June, 2002 and up to the date of listing on 19th July, 2002, neither the Directors nor the employees of the Group had any rights to acquire Shares.

## Other Information

### SUBSTANTIAL SHAREHOLDERS

Subsequent to 30th June, 2002 and immediately after completion of the placing and the capitalisation issue on 15th July, 2002, the register will be kept by the Company under Section 16(1) of the SDI Ordinance showing that the following parties are directly or indirectly interested in 10% or more of the nominal value of the Shares of the Company:

Name	Number of Shares held immediately after completion of the placing and the capitalisation issue	Percentage of shareholding in the Company immediately after completion of the placing and the capitalisation issue
Newood Consultancy Limited (Note)	240,000,000	75%

Note: 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.

Saved as disclosed above, the Directors are not aware of any other person having an interest in the issued shares capital representing 10% or more of the issued share capital of the Company.

### SPONSOR'S INTERESTS

Subsequent to 30th June, 2002 and immediately after completion of the placing and the capitalisation issue on 19th July, 2002, the Company's sponsor, Deloitte & Touche Corporate Finance Ltd ("Deloitte"), its directors, employees or associates did not have any interest in the Shares of the Company, or any right to subscribe for or to nominate persons to subscribe for the Shares of the Company.

Pursuant to the Sponsor's agreement dated 19th July, 2002 entered into between the Company and Deloitte, Deloitte will receive a fee for acting as the Company's retained sponsor for the period from 19th July, 2002 to 31st December, 2004.

## Other Information

### PURCHASE, SALE OR REPURCHASE OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's Shares during the period under review and immediately after completion of the placing and the capitalisation issue on 15th July, 2002.

### 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 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 sales of loudspeakers used in automobiles, 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. Details of the deed of undertaking dated 15th July, 2002 are set out in sub-section headed "Competition with the Private Group" in the section headed "Business" to the prospectus of the Company dated 15th July, 2002.

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.

### AUDIT COMMITTEE

Subsequent to 30th June, 2002, the Company established an audit committee on 8th July, 2002 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company.

The audit committee comprises Mr. Yiu Chi Wah and Mr. Wong Kai Tung, Simon who are the independent non-executive Directors. Mr. Yiu Chi Wah is the chairman of the audit committee.

**Other Information**

In the audit committee meeting held on 10th August, 2002, the unaudited results and unaudited financial position, major accounting and internal auditing issues of the Group for the six months ended 30th June, 2002 were reviewed and reported to the Board.

**BOARD PRACTICES AND PROCEDURES**

Since 19th July, 2002, the date of listing, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

By order of the Board  
Sonavox International Holdings Limited  
Yang Tsu Ying  
*Chairman*

Hong Kong, 12th August, 2002