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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.



SONAVOX INTERNATIONAL HOLDINGS LIMITED

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(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report

For the nine-month period ended 30th September 2003

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.

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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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

The Board of Directors (the "Board") of Sonavox International Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively "Sonavox" or the "Group") for the three-month and nine-month periods ended 30th September 2003, together with the comparative figures for the corresponding periods in 2002 were as follows:

	Notes	For the three-month period ended 30th September 2003		For the nine-month period ended 30th September 2003	
		HK\$'000	2002 HK\$'000	HK\$'000	2002 HK\$'000
Turnover	3	28,934	22,152	76,352	53,447
Cost of sales		(19,445)	(14,333)	(51,804)	(35,663)
Gross profit		9,489	7,819	24,548	17,784
Other revenue		-	-	162	50
Selling and distribution expenses		(1,228)	(660)	(3,934)	(2,438)
General and administrative expenses		(3,024)	(1,988)	(8,147)	(5,467)
Profit from operations		5,237	5,171	12,629	9,929
Finance costs		(144)	(155)	(448)	(422)
Profit before taxation	4	5,093	5,016	12,181	9,507
Taxation	5	(834)	(738)	(1,859)	(1,393)
Profit after taxation		4,259	4,278	10,322	8,114
Minority interests		(2,415)	(3,063)	(5,988)	(4,729)
Profit attributable to shareholders		1,844	1,215	4,334	3,385
Earnings per share – Basic (cents)	7	0.57	0.40	1.35	1.29

Movements of the Group's reserves (unaudited) were as follows:

	Property		Statutory	Cumulative		Retained	Proposed	Total
	Share premium	revaluation reserve		reserves	Merger			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002	-	-	3,227	(2,400)	-	14,215	-	15,042
Profit for the nine-month period	-	-	-	-	-	3,385	-	3,385
Issue of shares	39,200	-	-	-	-	-	-	39,200
Share issue expenses	(8,547)	-	-	-	-	-	-	(8,547)
Capitalisation of share premium	(2,300)	-	-	2,300	-	-	-	-
Effect of the Reorganisation	-	-	-	2,541	-	-	-	2,541
At 30th September 2002	28,353	-	3,227	2,441	-	17,600	-	51,621
At 1st January 2003	25,753	7,107	3,227	2,441	188	19,564	2,600	60,880
Profit for the nine-month period	-	-	-	-	-	4,334	-	4,334
Payment of final dividend	-	-	-	-	-	-	(2,600)	(2,600)
Effect on adoption of SSAP 12 (Revised)	-	(878)	-	-	-	-	-	(878)
Cumulative translation adjustments	-	-	-	-	(80)	-	-	(80)
At 30th September 2003	25,753	6,229	3,227	2,441	108	23,898	-	61,656

Notes:

1. GENERAL

Sonavox International Holdings Limited (the "Company") was incorporated in the Cayman Islands on 22nd October 2001 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19th July 2002.

On 8th July 2002, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation (the "Reorganisation") which included exchange of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries (the "Group") resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the unaudited condensed consolidated profit and loss account has been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the nine-month period ended 30th September 2002.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of loudspeaker systems to customers in the People's Republic of China (Collectively "Mainland China" or the "PRC") and overseas.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2002 except that the Group has changed its accounting policy following its adoption of the new Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the interim financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The adoption of SSAP 12 (revised) "Income Taxes" represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. However, the adoption of SSAP 12 (revised) "Income Taxes" has no significant effect on the Group's results for the current or prior accounting periods and the Group's financial position as at 31st December 2002.

3. TURNOVER, REVENUE AND SEGMENT REPORTING

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 condensed consolidated profit and loss account is as follows:

	For the nine-month period ended 30th September 2003	
	HK\$'000	2002 HK\$'000
Turnover		
Manufacture and sale of loudspeaker systems	76,352	53,447
Other revenue		
Interest income	20	20
Others	142	30
Total revenue	76,514	53,497

An analysis of geographical segments (unaudited) is as follows:

	For the nine-month period ended 30th September 2003						
	Hong Kong HK\$'000	Mainland China HK\$'000	Japan HK\$'000	USA HK\$'000	Europe HK\$'000	Eliminations HK\$'000	Group HK\$'000
Turnover*							
External sales	-	58,185	6,467	6,721	4,979	-	76,352
Inter-segment sales	4,641	13,531	-	-	-	(18,172)	-
Total turnover	4,641	71,716	6,467	6,721	4,979	(18,172)	76,352
Segment result	(2,008)	10,962	1,171	1,317	1,025	-	12,467
Unallocated income							162
Finance costs							(448)
Profit before taxation							12,181
Taxation							(1,859)
Profit after taxation							10,322
Minority interests							(5,988)
Profit attributable to shareholders							4,334
Depreciation	-	4,528	-	-	-	-	4,528

* Segment sales are based on the country in which the customer is located.

3. TURNOVER, REVENUE AND SEGMENT REPORTING (Continued)

An analysis of geographical segments (unaudited) is as follows:

	For the nine-month period ended 30th September 2002						
	Hong Kong HK\$'000	Mainland China HK\$'000	Japan HK\$'000	USA HK\$'000	Europe HK\$'000	Eliminations HK\$'000	Group HK\$'000
Turnover*							
External sales	-	40,512	7,120	2,588	3,227	-	53,447
Inter-segment sales	-	8,423	-	-	-	(8,423)	-
Total turnover	-	48,935	7,120	2,588	3,227	(8,423)	53,447
Segment result	-	7,508	1,284	593	494	-	9,879
Unallocated income							50
Finance costs							(422)
Profit before taxation							9,507
Taxation							(1,393)
Profit after taxation							8,114
Minority interests							(4,729)
Profit attributable to shareholders							3,385
Depreciation	-	4,072	-	-	-	-	4,072

* Segment sales are based on the country in which the customer is located.

4. PROFIT BEFORE TAXATION

The Group had no income generated from investment or disposal of investments, subsidiaries, associates, land and buildings for the nine-month periods ended 30th September 2002 and 2003.

5. TAXATION

	For the three-month period ended 30th September 2003		For the nine-month period ended 30th September 2003	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Mainland China enterprise income tax (unaudited)	834	738	1,859	1,393

The Company is incorporated in the Cayman Islands and is exempt 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 Island, accordingly, is exempt from payment of the British Virgin Islands income taxes.

Suzhou Shangsheng Electrics Co., Ltd. ("Shangsheng Electrics"), Suzhou Shangsheng Electronics Enterprises Co., Ltd. ("Shangsheng Enterprises") and Suzhou Sonavox Acoustics Co., Ltd. ("Sonavox Acoustics") being foreign investment enterprises established in the Coastal Open Economic Region of Suzhou, Mainland China, are subject to preferential enterprise income tax rate of 24% and are entitled to full exemption from Mainland China enterprise income tax for two years starting from its first profit-marking year 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.

5. TAXATION *(Continued)*

Shangsheng Electrics was exempted from Mainland China enterprise income tax up to 31st December 1997 and it is subject to Mainland China enterprise income tax at a rate of 12% 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". Shangsheng Enterprises was exempted from Mainland China enterprise income tax up to 31st December 2000 and is subject to Mainland China enterprise income tax at a rate of 12% from 1st January 2001 to 31st December 2003. Sonavox Acoustics has been reporting loss since its establishment.

No provision for Hong Kong profits tax has been made as there are no assessable profits (2002: Nil) for the subsidiaries operating in Hong Kong during the nine-month period.

6. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the nine-month period ended 30th September 2003 (2002: Nil) so as to retain resources for future expansion.

7. EARNINGS PER SHARE

The calculation of the earnings per share for the three-month and the nine-month periods ended 30th September 2003 is based on the respective unaudited consolidated profit attributable to shareholders of approximately HK\$1,844,000 and HK\$4,334,000 respectively (three-month and nine-month periods ended 30th September 2002: approximately HK\$1,215,000 and HK\$3,385,000 respectively) and the weighted average number of 320,000,000 ordinary shares outstanding during the three-month and the nine-month periods ended 30th September 2003 (approximately 303,478,000 and 261,392,000 ordinary shares outstanding during the three-month and the nine-month periods ended 30th September 2002 respectively, on the basis of presentation relating to the Reorganisation as described in Note 1).

BUSINESS REVIEW

A quality, high performance loudspeaker systems is an essential component for any automobile brand name. According to statistics released by Automobiles Resources Asia Limited, sales of automobiles in the PRC for the nine months ended 30th September 2003 reached approximately 1,454,000 units, up 69% as compared to the corresponding period last year. The substantial increase in automobile sales demonstrates the growing purchasing power of PRC citizens, making the PRC the fastest growing automobile market in the world. Capitalising on these tremendous business opportunities, the Group's automobile loudspeaker systems business also experienced rapid growth, showing an improvement of 56% with turnover of approximately HK\$67,145,000.

With its strong competencies in R&D, the Group has been working closely with customers in the design and development of new automobile loudspeaker systems for their new car models. During the review period, the Group successfully developed more than 30 different sets of top quality and high performance loudspeaker systems for automobiles.

Leveraging its established relations with international and local automobile brand names and its quality products, the Group's renowned customers steadily increased their sales orders with the Group during the nine-month period. Shanghai General Motors Co., Ltd. increased its order placed with the Group by 52%, to more than HK\$20 million for the nine-month ended 30th September 2003, further highlighting the Group's outstanding product quality and recognition among its peers in the industry. Additionally, the Group also successfully widened its customer base by securing four new customers during the review period.

The Group is now able to provide overseas customers with more comprehensive after-sales services and just-in-time delivery from its service centre in Italy. Highly satisfied with these services, customers, such as Fiat Auto S.P.A in Italy, placed more orders during the review period, enabling the Group to generate revenue of more than HK\$2 million from this service centre.

With regard to the Group's home theatre loudspeaker systems, turnover achieved approximately HK\$9,207,000. During the review period, the Group introduced more than 15 new models to the home theatre market in the PRC and overseas.

FINANCIAL REVIEW

For the nine months ended 30th September 2003, the Group achieved a turnover of approximately HK\$76,352,000, representing an increase of 43% as compared to the corresponding period last year. Profit attributable to shareholders represented a growth of 28%, to approximately HK\$4,334,000. The gross profit margin continued to be maintained at approximately 32% during the review period. Earnings per share were 1.35 HK cents (2002: 1.29 HK cents).

During the review period, the Group actively pursued its overseas market presence while maintaining its leading position in the PRC's automobile loudspeaker industry. The PRC remained the Group's largest market, accounting for approximately 76% of total turnover. However, previous efforts to further expand business overseas are now reaping fruitful results, and revenues of approximately HK\$18,167,000 (up 40%) were generated in markets, such as Japan, U.S.A. and Europe. Of these markets, the Group's performance in the U.S. outperformed that of Japan and the U.S. market has become the Group's second largest market overseas.

For the nine months ended 30th September 2003, the Group's total expenses increased 46%, to approximately HK\$66,192,000. The increase was mainly attributable to the establishment of the new service centre in Italy and engagement of an independent acoustic consultant in the U.S. for the Group's research and development enhancement, as well as further business developments in both the PRC and overseas markets.

Liquidity and Financial Resources

During the nine-month period ended 30th September 2003, the Group's major business operations took place in Mainland China, being financed mainly by the cash revenue generated from operating activities and partly from short-term bank loans. As at 30th September 2003, the Group had cash and bank deposits of approximately HK\$40,389,000. Compared with the performance in term of current ratio (current assets divided by current liabilities) and gearing ratio (total current liabilities divided by shareholders' equity) as at 30th September 2003 and 31st December 2002, the Group's current ratio was reduced from 2.60 to 2.05 and gearing ratio was increased from 0.46 to 0.68. As at 30th September 2003, the Group had total current liabilities amounting to approximately HK\$44,178,000 including short-term bank loans of approximately HK\$12,825,000 bearing interest at rates ranging from 4.6% to 5.8% per annum with repayment within a year. Taking the advantage of low interest costs, the Group obtained new short-term bank loan of approximately HK\$6,601,000 during the nine-month period. With its stable growth of asset base and profitability together with keen support from the banks and investors, the Directors believe that the Group's cash and bank deposits are sufficient for its future business operation and expansion.

Treasury Policies

The Group adopts conservative treasury policies in managing its cash and financial matters, with all the Group's treasury activities being centralised and carried out in Hong Kong. Currently, cash and bank deposits, including net proceeds from the completion of the placing in July 2002, is placed in interest-bearing bank accounts denominated in Hong Kong dollars and the U.S. dollars. The Group's liquidity and financial arrangements are reviewed regularly by the Directors and senior management.

Capital Commitment and Contingent Liabilities

As at 30th September 2003, the Group has capital commitment and contingent liabilities of approximately HK\$682,000 (2002: Nil).

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 RMB and Hong Kong dollars and the Group's revenue was denominated in RMB, Hong Kong dollars, European dollars and U.S. dollars during the period. Therefore, the Group was not exposed to any significant fluctuations in exchange rates and related hedges during the period.

Banking Facilities and Pledge of Assets

As at 30th September 2003, the Group had aggregate banking facilities of approximately HK\$14,145,000 for overdrafts and loan financing. Unused facilities as at the same date amounted to approximately HK\$1,320,000. These facilities were secured by the Group's land and buildings together with a corporate guarantee provided by a Mainland China subsidiary of the Company. The net book value of land and buildings was approximately HK\$23,171,000 as at 30th September 2003.

Number of Employees

A breakdown of the number of employees of the Group by function as at 31st December 2002 and 30th September 2003 is set out below:

	As at	
	30th September	31st December
	2003	2002
Management and administration	51	42
Sales and marketing	18	17
Manufacturing and operations	561	560
Engineering/Research and development	34	36
Quality assurance and quality control	71	70
Finance and accounting	10	10
	745	735
Total	745	735

Remuneration of Employees and Policies

The Group recognises that its staff is among the Group's most important assets. With the overall objective of providing competitive salary packages, the employees' salary level will be adjusted in close association with the individual's performance, qualifications and experience as well as the labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be rewarded to eligible employees by the assessment of individual's performance and by reference to the Group's business performance.

The Group has maintained good labour relations and does not experience any disruption of its 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 PRC and Hong Kong in relation thereto including contributions to society security scheme of the PRC, contribution to the Mandatory Provident Fund Scheme of Hong Kong and staff training programmes to eligible employees.

Total remuneration incurred for the nine-month period ended 30th September 2003 increased to approximately HK\$9,745,000 (2002: HK\$6,837,000) due to the fact that the Group revised wage and salary level of each staff and hired additional workers and administrative staff in Mainland China during the period. The Directors had received remuneration of approximately HK\$207,000 and HK\$630,000 during the nine-month periods ended 30th September 2002 and 2003 respectively. The Company has not granted any share option to any of its Directors and employees for each of the nine-month periods ended 30th September 2002 and 2003.

Training Schemes

The Group provides on-going training programmes for its employees in order to keep them abreast of the latest market trends and new technologies of loudspeaker systems as well as to enhance their knowledge on new requirements of international quality standards. The Group also provides difference training programmes to its senior management in order to update their management skills and techniques.

BUSINESS PROSPECTS

Given the PRC's entry to WTO and the favourable market conditions in the automobile industry, the Group is expected to experience further growth in the future.

To capture the immense business opportunities ahead, the Group is in negotiation with certain leading automobile manufacturers in the U.S. and Europe to provide loudspeaker systems for their car models that will be sold world-wide.

With regard to the home theatre market, the Group is finalising certain project plans with a leading Japanese home theater systems manufacturer to jointly introduce an innovative loudspeaker systems for home theatres. The trial run is now progressing, after which mass production is expected to commence after the first quarter of year 2004.

Looking ahead, the Group will be placing more resources on R&D, further expanding its market presence in not only the PRC, but also in overseas markets. By allocating extra resources for product development, the Group's products will stay competitive in quality, performance and functionality, giving Sonavox improved recognition and a growing reputation in international automobile markets.

OTHER INFORMATION

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

As at 30th September 2003, 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 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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	75%
Mr. Yang Ching Yau (Note)	Corporate	Interest of a controlled corporation	240,000,000	75%

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

Save as disclosed in this paragraph, as at 30th September 2003, 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 5.40 to 5.58 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 September 2003, 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 or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in the shares

Name	Capacity	Number of ordinary shares held	Percentage of interest
Newwood Consultancy Limited (Note 1)	Beneficial owner	240,000,000	75%
Silver Way Limited (Note 1)	Interest of a controlled corporation	240,000,000	75%
HSBC International Trustee Limited (Note 1)	Trustee	240,000,000	75%
Yang Tsu Ying (Note 1)	Beneficiary of a trust	240,000,000	75%
Yang Ching Yau (Note 1)	Beneficiary of a trust	240,000,000	75%
Yang Chuang Ching-Hsiu (Note 2)	Interest of spouse	240,000,000	75%
Helen Lee (Note 3)	Interest of spouse	240,000,000	75%



Notes:

- (1) Newwood 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 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 in which Mr. Yang Ching Yau is interested.

Save as disclosed above, as at 30th September 2003, 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 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, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

Other Interests Discloseable under the SFO

Save as disclosed in the preceding paragraphs headed "Directors' and Chief Executives' Interests and 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 and short position in the shares, underlying share or Debenture of the Company that is discloseable under the SFO.

Rights of Directors and Employees to Acquire Shares

Pursuant to a resolution passed on 8th July 2002, the Company has adopted the share option scheme. The principal terms of the share option scheme are summarised under the sub-section headed "Share Option Scheme" in Appendix IV to the Company's prospectus dated 15th July 2002. During the nine-month period ended 30th September 2003, none of the Directors or the employees of the Group was granted options to subscribe for shares. As at 30th September 2003, none of the Directors or the employees of the Group had any rights to acquire shares.

Sponsor's Interests

As at 30th September 2003, 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 has received and will receive a fee for acting as the Company's retained sponsor for the period from 19th July 2002 to 31st December 2004.

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 nine-month period ended 30th September 2003.

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 (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 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.

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

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 systems 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. Wong Kai Tung, Simon, is the chairman of the audit committee.

In the audit committee meeting held on 7th November 2003, the unaudited results, major accounting and internal auditing issues of the Group for the nine-month period ended 30th September 2003 were reviewed and reported to the Board of Directors.

Board Practices and Procedures

During the nine-month period ended 30th September 2003, 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, 10th November 2003