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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

上聲國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8226)

Third Quarterly Report

For the nine-month ended 30th September 2004

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 of the Stock Exchange 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 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 2004, together with the comparative figures for the corresponding periods in 2003 were as follows:

	Notes	For the three-month period ended 30th September 2004		For the nine-month period ended 30th September 2004	
		2003 HK\$'000	2003 HK\$'000	2003 HK\$'000	2003 HK\$'000
Turnover	2	51,972	28,934	141,045	76,352
Cost of sales		(41,129)	(19,445)	(105,988)	(51,804)
Gross profit		10,843	9,489	35,057	24,548
Other revenue	2	42	-	408	162
Selling and distribution expenses		(5,068)	(1,228)	(8,570)	(3,934)
General and administrative expenses		(1,198)	(3,024)	(6,926)	(8,147)
Profit from operations		4,619	5,237	19,969	12,629
Finance costs		(401)	(144)	(968)	(448)
Profit before taxation	3	4,218	5,093	19,001	12,181
Taxation	4	(1,590)	(834)	(5,340)	(1,859)
Profit after taxation		2,628	4,259	13,661	10,322
Minority interests		(1,631)	(2,415)	(7,673)	(5,988)
Profit attributable to shareholders		997	1,844	5,988	4,334
Dividends	5	-	-	512	-
Earnings per share – Basic (cents)	6	0.31	0.57	1.87	1.35
Diluted earnings per share	6	N/A	N/A	N/A	N/A

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

	Share premium HK\$'000	Property revaluation reserve HK\$'000	Statutory reserves HK\$'000	Merger reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained earnings HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
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	<u>25,753</u>	<u>6,229</u>	<u>3,227</u>	<u>2,441</u>	<u>108</u>	<u>23,898</u>	<u>-</u>	<u>61,656</u>
At 1st January 2004	25,753	5,259	4,857	2,441	125	22,625	2,912	63,972
Profit for the nine-month period	-	-	-	-	-	5,988	-	5,988
Payment of final dividend	-	-	-	-	-	-	(2,912)	(2,912)
Proposed interim dividend	-	-	-	-	-	-	512	512
Cumulative translation adjustments	-	-	-	-	73	-	-	73
At 30th September 2004	<u>25,753</u>	<u>5,259</u>	<u>4,857</u>	<u>2,441</u>	<u>198</u>	<u>28,613</u>	<u>512</u>	<u>67,633</u>

Notes:

1. GENERAL

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 leasehold land and buildings, and are consistent with those followed in the Group's audited financial statements for the year ended 31st December 2003.

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. 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	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Manufacture and sale of loudspeaker systems	141,045	76,352
Other revenue		
Interest income	28	20
Others	380	142
Total revenue	141,453	76,514

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

	For the nine-month period ended 30th September 2004						
	Hong Kong	Mainland China	Japan	U.S.A.	Europe	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover*							
External sales	-	68,898	12,855	52,909	6,383	-	141,045
Inter-segment sales	6,601	32,933	-	-	-	(39,534)	-
Total turnover	<u>6,601</u>	<u>101,831</u>	<u>12,855</u>	<u>52,909</u>	<u>6,383</u>	<u>(39,534)</u>	<u>141,045</u>
Segment result	<u>(2,095)</u>	<u>10,598</u>	<u>1,997</u>	<u>8,140</u>	<u>921</u>	<u>-</u>	<u>19,561</u>
Unallocated income							408
Finance costs							(968)
Profit before taxation							19,001
Taxation							(5,340)
Profit after taxation							13,661
Minority interests							(7,673)
Profit attributable to shareholders							<u>5,988</u>
Depreciation and amortisation	-	5,799	-	-	-	-	<u>5,799</u>

2. TURNOVER, REVENUE AND SEGMENT REPORTING (Continued)

For the nine-month period ended 30th September 2003

	Hong Kong HK\$'000	Mainland China HK\$'000	Japan HK\$'000	U.S.A. 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	<u>4,641</u>	<u>71,716</u>	<u>6,467</u>	<u>6,721</u>	<u>4,979</u>	<u>(18,172)</u>	<u>76,352</u>
Segment result	<u>(2,008)</u>	<u>10,962</u>	<u>1,171</u>	<u>1,317</u>	<u>1,025</u>	<u>-</u>	<u>12,467</u>
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							<u>4,334</u>
Depreciation and amortisation	<u>-</u>	<u>4,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,528</u>

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

3. PROFIT BEFORE TAXATION

The Group had no income generated from investment or disposal of investments, subsidiaries, associates, leasehold land and buildings for the nine-month periods ended 30th September 2003 and 2004.

4. TAXATION

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

	For the nine-month ended 30th September	
	2004 HK\$'000	2003 HK\$'000
Current taxation		
- Mainland China enterprise income tax	5,631	1,859
Deferred taxation	(291)	-
Taxation charges	<u>5,340</u>	<u>1,859</u>

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 Electric Co., Ltd. and Suzhou Shangsheng Electronics Enterprises Co., Ltd. are subject to Mainland China enterprise income tax at a rate of 24% on their taxable income. Suzhou Sonavox Acoustics Co., Ltd. has been reporting loss since its establishment.

No provision for Hong Kong profits tax has been made as there are no assessable profits (2003: Nil) for the subsidiaries operating in Hong Kong during the nine-month period.

5. INTERIM DIVIDEND

At a meeting held on 6th August 2004, the Directors proposed an interim dividend of HK0.16 cent per ordinary share, totaled HK\$512,000, whose names appear on the register of members on 10th September 2004. The dividend will be payable on 11th October 2004.

The Directors do not recommend the payment of any interim dividend for the three-month period ended 30th September 2004 (2003: Nil) so as to retain resources for future expansion.

6. EARNINGS PER SHARE

The calculation of the earnings per share for the three-month and the nine-month periods ended 30th September 2004 is based on the respective unaudited consolidated profit attributable to shareholders of approximately HK\$997,000 and HK\$5,988,000 respectively (three-month and nine-month periods ended 30th September 2003: approximately HK\$1,844,000 and HK\$4,334,000 respectively) and the weighted average number of 320,000,000 ordinary shares outstanding for the three-month and the nine-month periods ended 30th September 2003 and 30th September 2004.

Diluted earnings per share is not presented as there were dilutive potential ordinary shares in existence during the period ended 30th September 2004 (2003: Nil).

BUSINESS AND OPERATION REVIEW

During the review period, automobile loudspeaker systems remained as the Group's major revenue stream, accounting for approximately 87% of its total turnover. Although the Group was affected by the PRC's austerity measures to slow down the overheated economy during the review period, the Group was still able to achieve 82% growth in its automobile loudspeaker systems sales with its successful market diversification strategy. Automobile loudspeaker systems sales in overseas markets reported a significant growth of 292%, while Mainland China market recorded a healthy increase of approximately 17% as compared with the corresponding period last year.

During the review period, with the Group's continuous expansion in capacity and capabilities together with its highly flexible production skills, the Group continued to maintain good business relationships with internationally renowned automobile brand names in the U.S.A.. As a result, U.S.A. sales order increased during the review period and achieved an impressive growth of 687%.

Besides business achievements in the U.S.A., the Board also believes that Japan will become one of the Group's fastest growing overseas markets. During the review period, turnover generated from the Japanese market increased nearly 100%, making it the Group's second largest overseas market after the U.S.A.. To capture the immense business opportunities in the expanding Japanese market, during the review period, the Group started initial talks with certain Japanese automobile manufacturers in product trials, and preparing for further business establishments in the Japanese market.

Leveraging the Group's efforts in continuous product advancements, during the review period, the Group has been awarded two new accreditations in the recognition of the design, production and sale of the Group's automobile loudspeaker systems, in particular the ISO/TS 16949: 2002 and the Jiangsu Famous Trademark, awarded by TÜV Management Service GmbH and The Administrative Authority For Industry and Commerce of Jiangsu Province respectively.

With regard to home theatre loudspeaker systems, they brought in a total turnover of approximately HK\$19 million from the overseas markets. Continuous R&D and product improvements accounted for the fruitful results in this sector. Home theatres loudspeaker systems sale in the overseas markets reported a record breaking increase of approximately 330% during the review period, which provides another stable revenue stream to the Group.

FINANCIAL REVIEW

Capitalizing on its effective marketing strategy overseas and strict quality control over the Group's loudspeaker products, during the review period, the Group recorded a significant increase of 85% in turnover, to approximately HK\$141 million as compared with approximately HK\$76 million of that of the corresponding period last year. Apart from successful marketing efforts, the Group's top quality and high performance loudspeaker systems also explained its fruitful results in overseas markets. For the nine-month period ended 30th September 2004, its overseas markets, including Japan, the U.S.A. and Europe, have for the first time overtook Mainland China as the Group's largest market, accounting for approximately 51% of the Group's total turnover.

Prompted by the increase in crude oil prices, which continued to hit record high, both the cost of raw materials and other manufacturing overhead recorded substantial increase during the review period, squeezing the Group's gross profit margin to approximately 25% compared with 32% of that of the corresponding period last year. Nevertheless, the Group believes that both the high raw material prices and other manufacturing overhead will be temporary and will soon be lowered to an acceptable level, such that the Group's profit margin will improve accordingly.

Despite the increase in material costs, due to the Group's effective cost control measures through an effective vertical integration plan and business strategy overseas, the Group still recorded a substantial increase of approximately 38%, to approximately HK\$5,988,000 (2003: approximately HK\$4,334,000) in profit attributable to shareholders. Earnings per share were 1.87 HK cents (2003: 1.35 HK cents).

Liquidity and Financial Resources

During the nine-month period ended 30th September 2004, 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 2004, the Group had cash and bank deposits of approximately HK\$46,454,000. 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 plus minority interests) as at 30th September 2004 and 31st December 2003, the Group's current ratio was reduced from 1.98 to 1.52 and gearing ratio was increased from 0.43 to 0.72. As at 30th September 2004, the Group had total current liabilities amounting to approximately HK\$82,504,000 including short-term bank loans of approximately HK\$28,290,000 bearing interest at rates ranging from 4.6% to 5.8% per annum with repayment within a year. With its stable growth of asset base and profitability together with keen support from the banks and investors, the Board believe that the Group's cash and bank deposits are sufficient for its future business operation.

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 and Mainland China. 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, Renminbi ("RMB"), U.S. dollars and European dollars ("Euros"). The Group's liquidity and financial arrangements are reviewed regularly by the Board.

Capital Commitment and contingent liabilities

As at 30th September 2004, the Group has capital commitment of approximately HK\$31,433,000 (2003: Nil) in respect of the acquisition of fixed assets.

As at 30th September 2004, the Group has no significant contingent liabilities.

Material Acquisition/Disposals and Significant 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 of the Company dated 19th July 2002.

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, Euros and U.S. dollars during the period. The Group had no significant fluctuations in exchange rates and related hedges during the period.

Banking Facilities and Pledge of Assets

As at 30th September 2004, the Group had aggregate banking facilities of approximately HK\$28,290,000 (equivalent to RMB30,000,000) for overdrafts and loan financing. All banking facilities were fully utilised during the nine-month period ended 30th September 2004. These facilities were secured by the Group's leasehold land and buildings together with a corporate guarantee provided by a Mainland China subsidiary of the Company. The net book value of leasehold land and buildings was approximately HK\$61,574,000 as at 30th September 2004.

Number of Employees

A breakdown of the number of employees of the Group by function as at 31st December 2003 and 30th September 2004 is set out below:

	As at 30th September 2004	As at 31st December 2003
Management and administration	53	42
Sales and marketing	25	17
Manufacturing and operations	1,125	560
Engineering/Research and development	40	36
Quality assurance and quality control	142	70
Finance and accounting	11	10
Total	<u>1,396</u>	<u>735</u>

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 Mainland China and Hong Kong in relation thereto including contributions to society security scheme of Mainland China, 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 2004 increased to approximately HK\$15,230,000 (2003: HK\$9,745,000) due to the fact that the Group hired additional workers and administrative staff in Mainland China for its expansion during the period. The Directors had received remuneration of approximately HK\$630,000 and HK\$630,000 during the nine-month periods ended 30th September 2003 and 2004 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 2003 and 2004.

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

The Group's business expansion strategy to overseas markets has proven to be effective with significant breakthroughs in the U.S.A. and Japanese markets. Building on its good relationships with worldwide renowned automakers and home audio manufacturers, the Group intends to establish business relationships with customers in other worldwide markets. Several feasibility tests have also begun to explore the possibility of future business co-operations in other markets. Additionally, the Group is negotiating with certain leading Japanese automobile manufacturers and the Board is confident that further advancements will take place in the near future.

With living standard rising around the globe and the growing popularity of TFT/LCD applications and plasma TV for home and commercial purpose, the demand for top quality and high performance audio systems is expected to grow. Poised to capture this escalating trend, the Group is confident that this business sector will continue to flourish, generating stable revenue.

Leveraging its excellent market position and strong competitive edges, the Board has full confidence in Sonavox attaining even greater achievements in the future and bringing better returns to its shareholders.

OTHER INFORMATION

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

As at 30th September 2004, 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 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 2004, 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 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 2004, 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 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
Newood 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) 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 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 2004, 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 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 or short position in the shares, underlying shares or Debentures 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 2004, none of the Directors or the employees of the Group was granted options to subscribe for shares. As at 30th September 2004, none of the Directors or the employees of the Group had any rights to acquire shares.

Sponsor's Interests

As at 30th September 2004, 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 2004.

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 5.28 to 5.33 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, Mr. Wong Kai Tung, Simon, and Mr. Fan Chi Fai, Paul, who are the independent non-executive Directors. Mr. Yiu Chi Wah is the chairman of the audit committee.

In the audit committee meeting held on 11th November 2004, the unaudited results, major accounting and internal auditing issues of the Group for the nine-month period ended 30th September 2004 were reviewed and reported to the Board of Directors.

Board Practices and Procedures

During the nine-month period ended 30th September 2004, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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

Hong Kong, 12th November 2004