



27 August 2010

*To the Independent Shareholders, the Bondholders
and the Optionholders*

Dear Sir or Madam,

**RESPONSE DOCUMENT RELATING TO
THE UNCONDITIONAL MANDATORY CASH OFFERS BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF
FAME GLOBAL ENTERPRISES LIMITED
FOR ALL THE ISSUED SHARES IN AND
OUTSTANDING CONVERTIBLE BONDS OF
SONAVOX INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
FAME GLOBAL ENTERPRISES LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF ALL THE OPTIONS OF
SONAVOX INTERNATIONAL HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement, the circular of the Company dated 6 August 2010 in respect of the Disposals and the Offer Document.

On 16 July 2010, the Offeror and the Company jointly announced that the Offeror, Newood and the Guarantors entered into the SP Agreement on 12 July 2010, pursuant to which Newood agreed to sell and the Offeror agreed to acquire 240,000,000 Shares, representing approximately 73.83% of the entire issued share capital of the Company at a consideration of HK\$96,000,000 (equivalent to HK\$0.4 per Sale Share). The SP Completion took place on 16 July 2010.

As a result of the completion of the acquisition of the Sale Shares, the Offeror is beneficially holding and interested in 240,000,000 Shares, representing approximately 73.83% of the entire issued share capital of the Company as at the Latest Practicable Date. Save for the aforesaid, the Offeror and parties acting in concert with it do not have any other interests in any securities of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make unconditional mandatory general offers in cash for all the issued Shares, the outstanding Convertible Bonds and the outstanding Options other than those already owned by the Offeror and parties acting in concert with it.

In addition, on 12 July 2010, the Company also entered into the Indigo Agreement and the Taraki Agreement which were approved by the Independent Shareholders at the EGM. Details of Indigo Agreement and the Taraki Agreement are disclosed in the Joint Announcement and the circular of the Company in respect thereof dated 6 August 2010. Completion of the Disposals took place on 25 August 2010.

Rule 2.8 of the Takeovers Code requires the Company to establish an independent committee of the Board to advise the Independent Shareholders, the Bondholders and the Optionholders on the Offers and that such independent committee should comprise all non-executive Directors who have no direct or indirect interest in the Offers and the Disposals other than as a Shareholder. The Company has three non-executive Directors, namely Mr. Yiu Chi Wah, Mr. Fan Chi Fai, Paul and Mr. Lee Fang Yu. As Mr. Yiu Chi Wah was involved in the negotiation of the Offers and the Disposals, the Directors consider that it would be more appropriate that Mr. Yiu Chi Wah does not sit on the Independent Board Committee. Accordingly, the Independent Board Committee comprising the remaining two non-executive Directors, namely Mr. Fan Chi Fai, Paul and Mr. Lee Fang Yu, has been established to advise and give recommendation to the Independent Shareholders, the Bondholders and the Optionholders in connection with the Offers.

The Offer Document was despatched on 6 August 2010. The latest time and date for acceptance of the Offers is 4:00 p.m. on Friday, 10 September 2010.

The purpose of this letter is to provide you with, among other things, information relating to the Group and the Offers, the recommendation of the Independent Board Committee to the Independent Shareholders, the Bondholders and the Optionholders regarding the Offers, and the advice of the Independent Financial Adviser to the Independent Board Committee on the Offers.

UNCONDITIONAL MANDATORY CASH OFFERS

The terms of the Offers are set out in the Offer Document and the Form(s) of Acceptance. You are recommended to refer to the Offer Document and the Form(s) of Acceptance for further details.

Principal terms of the Offers

Optima Capital, the financial adviser to the Offeror, is making the Offers, which are unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code on the following terms:-

The Share Offer

For every Offer Share HK\$0.40 in cash

The Share Offer Price of HK\$0.40 per Offer Share is the same as the price per Sale Share paid by the Offeror under the SP Agreement. The Offer Shares acquired under the Share Offer shall be fully paid and free and clear from all Encumbrances and together with all rights attaching to them, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date of SP Completion.

The CB Offer

For each outstanding HK\$1 face value of
the Convertible Bonds. HK\$1.0 in cash

Pursuant to the instrument constituting the Convertible Bonds, the conversion price of the Convertible Bonds shall be the US\$ equivalent of HK\$0.4 per new Share (subject to adjustments). Based on the Share Offer Price of HK\$0.40 per Offer Share divided by the prevailing conversion price of the Convertible Bonds of HK\$0.40 per new Shares (subject to adjustments), the offer price under the CB Offer is HK\$1.0 for each outstanding HK\$1 face value of the Convertible Bonds. The Convertible Bonds to be acquired under the CB Offer shall be free from all Encumbrances and any other third party rights of any nature and together with all rights attaching to them.

The Option Offer

For cancellation of each Option carrying
right to subscribe for one Option Share. HK\$0.055 in cash

The Option Offer Price of HK\$0.055 for every Option represents the difference between the Share Offer Price of HK\$0.4 and the prevailing exercise price of the Options of HK\$0.345 each. Any Optionholders accepting the Option Offer in respect of all or part of their Options will surrender and give up the subscription rights attaching to the relevant Options. Pursuant to the Shares Option Scheme, in the case that a general offer is made to the Shareholders, any Options not yet exercised before the close of the Offer Period shall lapse immediately after the close of the Option Offer.

Acceptance of the Offers shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Further terms of the Offers and procedures for acceptance were set out in the Offer Document and the Form(s) of Acceptance.

INFORMATION ON THE OFFEROR AND MR. CHAN

The Offeror is an investment holding company incorporated in the BVI with limited liability. The principal activity of the Offeror is investment holding and the principal assets held by it are the Sale Shares acquired from Newood. The sole beneficial owner and the sole director of the Offeror is Mr. Shan. Mr. Shan, aged 45, is an entrepreneur in the PRC with over 15 years of experience in corporate finance, operation and cashflow management and research and development. He also held senior positions in various private companies engaged in agriculture, environmental protection and chemical fertilizers in the PRC.

Mr. Chan, aged 59, as a strategic investor in respect of its investment in the Company, is a businessman who possesses over 20 years of experience in the manufacturing of consumer products, and held senior management positions in various business units relating to finance and operations. His family business has diversified into investments in securities, real estate development and mineral resources mining, both in Hong Kong and the PRC.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding with its subsidiaries principally engaged in the manufacture and sale of loudspeaker systems to customers in the PRC and overseas market.

The Group recorded audited consolidated losses attributable to equity holders of the Company of approximately HK\$14.4 million and approximately HK\$3.2 million for the two financial years ended 31 December 2008 and 2009 respectively. The Group recorded unaudited profit attributable to equity holders of the Company of approximately HK\$2.0 million for the three months ended 31 March 2010. The audited consolidated total equity attributable to equity holders of the Company as at 31 December 2009 was approximately HK\$82.5 million. As stated in the first quarterly report of the Company for the three months ended 31 March 2010, the Group was committed to strengthen its core businesses of manufacture and sales of high performance loudspeaker products to major automakers and consumer electronics companies around the world, such as Ford Motor Company, Volkswagen and Audi. In addition, the Group continued to launch new and competitive multimedia and home theatre products to satisfy our renowned customers' needs. The sales of loudspeaker systems for automobiles were increased by 118% to approximately HK\$118.0 million for three months ended 31 March 2010. Increase in overall sales by 101% for the first quarter of 2010 was primarily attributable to recovery of automobile market and hence rebound of shipments to customers.

OFFEROR'S INTENTION ON THE REMAINING GROUP

The Offeror intends that the Remaining Group will continue its existing principal activities, and leveraged on Mr. Shan's assistance and experience in environmental protection and agricultural business, the Remaining Group will look for business opportunities in the sector of environmental protection in the PRC with a view to expanding the business activities of the Remaining Group. The Offeror will conduct a detailed review on the operations of the Remaining Group after the close of the Offers with a view to formulating a suitable business strategy for the Remaining Group and consider whether diversification of the business into the above sector will be appropriate to enhance the growth of the Remaining Group. In view of the foresaid, the Offeror is of the view that the Offers are in its long-term commercial interest. In the event that any of the aforesaid business opportunities materialize or the Offeror introduces any major changes to the existing operation and business of the Company (including re-deployment of fixed assets of the Remaining Group) after the close of the Offers, further announcement will be published by the Company as and when required under the GEM Listing Rules. As at 4 August 2010, being the latest practicable date prior to the printing of the Offer Document for ascertaining certain information contained therein, the Offeror has no intention or plan for re-deployment or disposal of assets and/or business of the Remaining Group.

The Board is aware of the intention of the Offeror in respect of the Remaining Group and is willing to co-operate with the Offeror to the extent permitted by the fiduciary duties of the Directors and the applicable law.

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprises two executive Directors and three independent non-executive Directors. The Offeror intends to nominate Mr. Shan as the new Director to the Board on such date as the Offeror sees fit, subject to compliance with the Takeovers Code, the GEM Listing Rules and the Company's articles of association. Mr. Shan will be responsible for the management of the Company's business with a view to enhancing the corporate management of the Remaining Group immediately after the appointment. Further announcement will be published by the Company in respect of the changes to the Board pursuant to Rule 17.50(2) of the GEM Listing Rules as and when appropriate.

Save as disclosed above, the Offeror does not intend that there would be any material changes to the existing management and employees of the Remaining Group following the close of the Offers.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. The director of the Offeror will undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that such number of Shares as may be required by the Stock Exchange are held by the public.

If, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend trading in the Shares.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:

	<i>Number of Shares</i>	<i>Approximate %</i>
The Offeror and parties acting in concert with it	240,000,000	73.83
Public Shareholders	85,089,974	26.17
Total	<u>325,089,974</u>	<u>100.00</u>

RECOMMENDATION

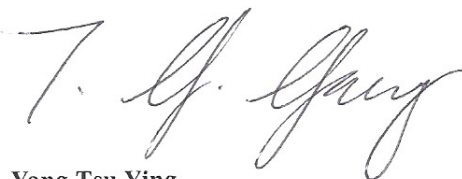
Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this Response Document which contains its recommendation to the Independent Shareholders, the Bondholders and the Optionholders in respect of the Offers and the letter from the Independent Financial Adviser set out on pages 13 to 29 of this Response Document which contains its advice to the Independent Board Committee in relation to the Offers and the principal factors and reasons taken into consideration in arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Response Document.

You are also recommended to read carefully further details in respect of the Offers as set out in the Offer Document and the Form(s) of Acceptance which contain details of the Offers before deciding whether or not to accept the Offers.

Yours faithfully,
By order of the Board
Sonavox International Holdings Limited

A handwritten signature in black ink, appearing to read 'T. Y. Yang', written in a cursive style.

Yang Tsu Ying
Chairman