

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.



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)

(1) MAJOR TRANSACTION

in respect of

**the proposed acquisition of the entire issued share capital of
Indigo Manufacturing Inc.**

(2) PROPOSED PLACING OF CONVERTIBLE BONDS

and

(3) RESUMPTION OF TRADING

Financial adviser to the Company



I. MAJOR TRANSACTION

The Board is pleased to announce that on 27 January 2006, the Acquisition Agreement was entered into between the Company and the Vendors, whereby the Vendors agreed to sell and the Company agreed to purchase the entire issued shares of Indigo at a consideration (subject to adjustment) of CAD5,300,000 (equivalent to approximately HK\$34,980,000). The Consideration will be settled as to CAD300,000 (equivalent to approximately HK\$1,980,000) by way of allotment and issue of the Consideration Shares and the balance of up to CAD5,000,000 (equivalent to approximately HK\$33,000,000) by cash.

The Acquisition contemplated in the Acquisition Agreement constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to approval by the Shareholders at the EGM. Given that the Vendors and their respective ultimate beneficial owners (where appropriate) are all Independent Third Parties, no Shareholder is required to abstain from voting in respect of the resolution to approve the Acquisition at the EGM.

II. PLACING OF CONVERTIBLE BONDS

On 27 January 2006, the Company entered into the Placing Agreement with the Placing Agent for the placing of the Convertible Bonds, on a best efforts basis, up to a maximum principal amount of USD5,000,000 (in its HK\$ equivalent of approximately HK\$38,750,000). The Conversion Price is the USD equivalent to HK\$0.40 per Conversion Share (subject to adjustment). Completion of the Placing Agreement is subject to the fulfillment of certain conditions which include, inter alia, the approval by the Shareholders for the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares and the granting of the listing of, and permission to deal in, the Conversion Shares on GEM by the Listing Committee of the Stock Exchange.

Detailed terms of the Convertible Bonds are set out in the section headed “Placing of the Convertible Bonds” in this announcement below.

A circular containing, amongst other things, further information about the Acquisition, the Placing Agreement, the Convertible Bonds, the financial information of Indigo and the pro forma financial information of the enlarged Group together with the notice of the EGM will be despatched to the Shareholders as soon as practicable.

III. SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares was suspended from 9:30 a.m. on 1 February 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 17 February 2006.

I. MAJOR TRANSACTION

The Agreement

Date: 27 January 2006

Parties: (i) the Company, as purchaser

(ii) the Vendors, which include three individuals who hold approximately 45%, 28% and 14% of the issued share capital of Indigo respectively and six other individuals and corporations hold in aggregate the remaining of approximately 13% of the issued share capital of Indigo as at the date of the Acquisition Agreement. Those Vendors which are corporations are principally engaged in investment holding activities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Vendors and where such Vendors are corporations, whose respective ultimate beneficial owners are Independent Third Parties

Assets to be acquired

The entire issued shares of Indigo

Consideration

The total consideration for the Acquisition shall be CAD5,300,000 (equivalent to approximately HK\$34,980,000), subject to the adjustment as stated below.

Adjustment to the Consideration

The Consideration will be adjusted downward by the amount of (i) the demand loans from a specified bank in excess of CAD1,500,000 (being the limit of the facility granted by the specified bank) as at the date of Completion; (ii) the Loan Repayment Amount as at the date of Completion; and (iii) any shortfall between CAD950,000 and the aggregate of the shareholder's equity as shown on the Closing Financial Statement and CAD201,960. For the purpose of this announcement, the Consideration adjusted in accordance with the above manner is referred to as the "**Adjusted Consideration**". As at 31 October 2005, the Loan Repayment Amount amounted to approximately CAD997,000 (equivalent to approximately HK\$6,580,000).

The adjustment mechanism to the Consideration was agreed between the Vendors and the Company after arm's length negotiation for the purpose of (i) ensuring that the overall financial status of the Company at the time of Completion will be more or less the same as at the time when the Consideration was determined; and (ii) eliminating the effects of related party loans.

The Consideration, or as the case may be, the Adjusted Consideration will be payable by the Company upon Completion, among which as to CAD300,000 to be satisfied by way of allotment and issue of the Consideration Shares and the balance of up to CAD5,000,000 (equivalent to approximately HK\$33,000,000) by cash, provided that an amount of CAD300,000 (equivalent to approximately HK\$1,980,000) will be placed with an independent escrow agent for 15 months from the date of Completion for the purpose of covering claims (if any) by the Company in respect of any liability arising from untrue warranties, representations and undertakings of the Vendors under the Acquisition Agreement.

The Company currently intends that the cash portion of the Consideration or the Adjusted Consideration (as the case may be) will be settled by the net proceeds, if any, of the issue of the Convertible Bonds as announced hereinafter. In the event that the issue of the Convertible Bonds were not completed for whatever reason or if the net proceeds received by the Company were less than the cash portion of the Consideration or the Adjusted Consideration (as the case may be), the cash portion of the Consideration or the Adjusted Consideration (as the case may be) will be satisfied by internal resources and/or banking facilities of the Group.

The Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and was based on the Company's internal valuation on Indigo taking into account (i) the value of the patented technology held by Indigo; (ii) the future prospects of the business of Indigo; (iii) the synergistic effects and strategic value of Indigo on the future development of the Group; and (iv) the potential business opportunities that can be provided to the Group. No independent valuation had been done on the patented technology held by Indigo for the purpose of determination of the Consideration. Further elaboration regarding the above factors are referred to in the paragraph headed "Reasons for entering into the Acquisition" below.

Consideration Shares

The issue price of each Consideration Share is HK\$0.389, being the average closing price per Share as stated in the daily quotations sheet of the Stock Exchange over the 10 business days up to and including the date of the Acquisition Agreement, which represents a discount of approximately 5.12% over the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 27 January 2006 being the trading day immediately prior to the suspension of trading in Shares on 1 February 2006 and represents a premium of approximately 0.52% over the average closing price of HK\$0.387 per Share for the five consecutive trading days up to and including 27 January 2006. Based on the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 27 January 2006, the Consideration Shares had a market value of approximately HK\$2,087,000. In addition, the issue price of each Consideration Share represents a premium of approximately 63.45% over the net asset value per Share of approximately HK\$0.238 based on the unaudited consolidated net assets of the Company as at 30 June 2005.

The Consideration Shares comprising 5,089,974 Shares represent approximately 1.59% of all existing issued Shares and approximately 1.57% of the enlarged issued share capital of the Company immediately after the allotment and issue of the Consideration Shares (assuming no other Shares are issued prior to the date of issue of the Consideration Shares). Subject to the approval by the Shareholders of the Acquisition at the EGM, the Consideration Shares will be allotted and issued pursuant to the Existing General Mandate. Up to the date of this announcement, no Shares or securities convertible into Shares have been issued pursuant to the Existing General Mandate.

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distribution and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

Pursuant to the Acquisition Agreement, the Vendors may allocate, among themselves, the different components of the Consideration to be received by each of them, failing which the allocation of Consideration Shares and cash portion will be proportionate to their respective shareholdings. The Vendors have undertaken to the Company that in the event that he/she/it elects to receive the Consideration Shares as part of the Consideration, he/she/it will not transfer or dispose of the Consideration Shares allotted to him/her/it within 12 months from the date of Completion.

Conditions

Completion of the Acquisition Agreement is conditional on, among other things, the satisfaction (or, where applicable, waiver) of the following conditions:

- (a) the Company shall have obtained a release from the Royal Bank of Canada of the personal guarantee (limited to CAD300,000) provided by one of the Vendors to secure the credit facility and borrowings from the Royal Bank of Canada by Indigo;

- (b) the Loan Repayment Amount shall have been paid by Indigo in full from funds contributed to Indigo by the Company at Completion;
- (c) all amounts owing by Indigo to any of its shareholders, directors, officers and employees other than amounts owing in the ordinary course of business for salary, vacation pay, benefits and expense reimbursement shall have been paid in full prior to the date of Completion;
- (d) the holder of all agreements, options, understandings, commitments, warrants or other rights or privileges pursuant to which Indigo is or may become obligated to issue any shares or other securities which are convertible into shares of its capital stock, shall have (i) agreed with the Company to execute their rights under such agreements and sell the shares obtained on the exercise of such rights to the Company under the terms of the Acquisition Agreement; or (ii) execute a release in a form that is satisfactory to the Company acting reasonably releasing all of their rights in respect of such agreements and delivered such release to the Company by no later than 27 January 2006;
- (e) approval by the Shareholders for the Acquisition in accordance with the GEM Listing Rules;
- (f) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Consideration Shares;
- (g) the Company shall have arranged for Indigo to obtain replacement working capital financing in an amount of not less than CAD1,500,000 on commercially reasonable terms;
- (h) the Company shall have arranged financing to complete the Acquisition and the fund under such financing arrangement will have been made available to the Company; and
- (i) the Company shall have obtained all necessary consents, authorisation or other approvals (or, as the case maybe, the relevant waiver) of any kind in connection with the entering into and performance of the terms of the Acquisition Agreement which may be required under the GEM Listing Rules, from the Stock Exchange or any regulatory authority.

As at the date of this announcement, condition (d) has already been fulfilled. At any time before Completion, the Vendors may waive conditions (a) and (b) and the Company may waive conditions (c), by notice in writing to the other parties without prejudice to their respective future rights.

Completion

Completion shall take place on the fifth business day after the conditions set out in the Acquisition Agreement are satisfied, or as the case may be, waived, or such earlier or later date as may be agreed, but in any event, not later than 10 April 2006.

The Acquisition contemplated in the Acquisition Agreement constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to approval by the Shareholders. Given that the Vendors and their respective ultimate beneficial owners (where appropriate) are all Independent Third Parties, no Shareholder is required to abstain from voting in respect of the resolution to approve the Acquisition at the EGM.

Information on Indigo

Incorporated in Ontario, Canada, in March 1991, Indigo commenced its business in 1991 and was principally engaged in the design, development and marketing of home and automotive audio products. Indigo's flagship technology is "BASH", a patented high efficiency power amplifier circuit technology. The "BASH" amplification technology is unique that it delivers the sound of an audiophile quality Class AB "pure linear" amplification with the efficiency of Class D amplification. The "BASH" patented technology delivers digital control, efficiency and electro-magnetic interference (EMI) performance, cost and size advantages over its competitors without compromising sound quality. With such patented technology, Indigo produces audio amplifiers for a variety of applications including: powered speakers, full-range amplifiers, multi-media, car audio and professional audio.

The following table shows the financial information of Indigo for each of the three years ended 31 March 2005:

	Year ended 31 March 2003 (audited)		Year ended 31 March 2004 (audited)		Year ended 31 March 2005 (audited)	
	CAD('000)	HK\$ '000 equivalent	CAD('000)	HK\$'000 equivalent	CAD('000)	HK\$'000 equivalent
Revenue	11,332	74,791	11,208	73,973	11,358	74,963
Net earnings/(loss) before taxes (<i>Note</i>)	(683)	(4,508)	(103)	(680)	122	805
Net earnings/(loss) after taxes	(481)	(3,175)	83	548	111	733

Note: No extraordinary items had been recorded for each of the three years ended 31 March 2005

The latest audited net assets value of Indigo as at 31 March 2005 is approximately CAD949,000 (equivalent to approximately HK\$6,263,000).

Reasons for entering into the Acquisition

The principal business activity of the Group is the design, manufacture and sale of loudspeaker systems to customers in Mainland China and overseas. Major products for both of the Group and Indigo include loudspeaker systems for home theatres and professional audio. The Group also manufactures and sells loudspeaker systems for automobiles whereas Indigo manufactures and sells amplifiers only for automobiles.

Currently, the wooden boxes, loudspeakers and other major parts for the Group's loudspeaker systems for home theatres and professional audio are manufactured by the Group itself whereas the amplification systems are supplied by independent vendors. In the contrast, Indigo manufactures its products with the "BASH" amplification systems designed and developed by itself and assembled with wooden boxes, loudspeakers and other major parts from independent suppliers.

Since the Group does not have research and development capabilities to develop unique amplification systems, all amplifiers enclosed in the Group's loudspeaker systems for home theatres and professional audio were purchased from independent vendors in the Mainland China. The Acquisition will allow the Group to utilize the "BASH" amplification systems and relevant technologies, therefore enhancing the Group's cost competitive advantage and the development of the products of the Group, both of which are in line with the Group's strategic development.

Furthermore, the senior management of the Group are of the view that today's automobiles, computers, video games, televisions (Plasma or TFT/LCD or traditional CRT), DVD players and iPods, all require multi-channel high power amplifier systems with good quality audio and loudspeaker systems. This trend creates an excellent opportunity for Indigo, which has advanced audio amplifier technology and patented technology that is compact, cost effective in multi-channel systems and produces little electro-magnetic interference (EMI).

In addition, the Acquisition will also enhance the Group's capabilities to develop new series of audio integration systems products for automobiles and home theatres and that the capabilities of Indigo, including but not limited to research and development, management experience and sale and marketing techniques, will allow the Group to provide a "one-stop" range of technology solution for the Group's existing and potential customers.

Based on the foregoing, the Directors consider that after Completion, the technology of Indigo together with its customer base will expect to produce synergetic effect with existing business of the Group which will accelerate the pace of business expansion.

The Directors considered that the Acquisition Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of the Acquisition Agreement were fair and reasonable and in the best interests of the Group so far as the interests of the Shareholders and the Company as a whole are concerned.

II. PLACING OF THE CONVERTIBLE BONDS

Placing Agreement

Date: 27 January 2006

Parties: The Placing Agent, an Independent Third Party, and the Company

Placing

The Placing Agent has conditionally agreed with the Company to place, on a best effort basis, to independent professional, corporate or individual investors the Convertible Bonds which are proposed to be issued in an aggregate principal amount of USD5,000,000 (in its HK\$ equivalent of approximately HK\$38,750,000). The Placing Agent will receive a documentation fee of HK\$118,000 and a placing commission of 0.75% of the amount equal to the aggregate principal amount of the Convertible Bonds in respect of which it had secured Placees. The documentation fee and the placing commission were arrived at after arm's length negotiations between the Company and the Placing Agent.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

The Company will make further announcement to keep the Shareholders informed in the event that less than USD5,000,000 (in its HK\$ equivalent of approximately HK\$38,750,000) of Convertible Bonds are being placed.

Placees

The Placing Agent will procure not less than six individual, institutional or other professional investors to subscribe for the Convertible Bonds and take steps to ensure that each of the Placees will be an Independent Third Party. The Company will make appropriate announcement in accordance with the Listing Rules in the event that the number of Placees is less than six.

Conditions

Completion of the Placing Agreement is conditional upon, amongst other things, the Stock Exchange having granted listing of and permission to deal in the Conversion Shares and the Company having obtained the necessary approval from the Shareholders for the issue of the Convertible Bonds and the allotment of the Conversion Shares. No Shareholder is required to abstain from voting in respect of the resolution to approve the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares at the EGM.

If the conditions are not fulfilled on or before the day falling 90 days after the date of the Placing Agreement, the Placing Agreement shall terminate and neither the Company nor the Placing Agent shall have any claim against the other for any costs or losses (save for any prior breaches of the Placing Agreement).

If, on or at any time before completion of the Placing Agreement, any national or international, political, military, diplomatic, monetary, economic or financial crisis or situation occurs or there occurs any change in national or international, military, diplomatic, monetary, economic, political, financial or market conditions which, in the opinion of the Placing Agent arrived at in good faith, renders the placing of the Convertible Bonds temporarily or permanently impracticable or inadvisable, or any event or omission occurs or comes to the Placing Agent's notice which, in the opinion of the Placing Agent arrived in good faith, will or may be materially prejudicial to the Company or the

placing of the Convertible Bonds, the Placing Agent will consult with the Company to the extent practicable but may at its absolute discretion, by notice in writing to the Company, terminate the Placing Agreement.

Completion

Completion of the Placing Agreement is expected to take place on the fifth business day after the conditions precedent have been fulfilled (or waived). Barring any unforeseen circumstances, the Company expects that completion of the Placing Agreement will not be later than the completion of the Acquisition. Therefore net proceeds from the placing of Convertible Bonds, if any, can be applied for the settlement of the Consideration as referred to in the paragraph headed "Use of proceeds" below.

Principle terms of the Convertible Bonds

- Issuer : The Company
- Principal amount : Up to the aggregate amount of USD5,000,000 (in its HK\$ equivalent of approximately HK\$38,750,000)
- Conversion Price : the USD equivalent to HK\$0.40 per Conversion Share (subject to adjustment), representing:
- (i) a discount of approximately 2.44% over the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 27 January 2006, being the date of the Placing Agreement and the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares on the Stock Exchange pending the release of this announcement;
 - (ii) a premium of approximately 3.36% over the average closing price of approximately HK\$0.387 per Share for the five consecutive trading days up to and including 27 January 2006 as quoted on the Stock Exchange; and
 - (iii) a premium of approximately 68.07% over the over the net asset value per Share of approximately HK\$0.238 based on the unaudited consolidated net assets of the Company as at 30 June 2005.

The Conversion Price was determined after arm's length negotiations between the parties to the Placing Agreement. The Directors consider that the discount of approximately 2.44% of the Conversion Price over the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 27 January 2006 is acceptable to the Company and its Shareholders as a whole in light

of the thin liquidity of the Shares in the 12 months immediately preceding the date of the Placing Agreement. The average daily trading volume of the Shares for the 12 months immediately preceding the date of the Placing Agreement is approximately 7,000 Shares, representing approximately 0.002% of the total issued Shares of 320,000,000 Shares as at the date of this announcement.

The Conversion Price will be subject to adjustment in certain events including, among other things, consolidations/subdivision of the Shares, capitalization issues, capital distributions, bonus issues, rights issues and certain other dilutive events.

Interest : 8% per annum, payable annually in arrears. Such interest rate was determined after arm's length negotiations between the parties to the Placing Agreement

Conversion period : The Convertible Bonds may be converted at any time on and after the first day of the second anniversary of the date of issue of the Convertible Bonds up to and including the date falling 30 days prior to the date of maturity, or if such date is not a business day, the business day immediately preceding such date.

Conversion rights can only be exercised in not less than the multiple of the principal amount of USD200,000 (in its HK\$ equivalent of approximately HK\$1,550,000).

Maturity : The fifth anniversary of the date of issue of the Convertible Bonds

Early redemption : The Company shall have the option to redeem the Convertible Bonds in whole or in part (i) at any time after the second anniversary of the date of issue of the Convertible Bonds until 30 days prior to the maturity date, provided that the average closing price of the Shares stated in the daily quotation sheet of the Stock Exchange for 20 consecutive trading date exceed 130% of the prevailing Conversion Price; or (ii) at any time the outstanding Convertible Bonds is less than 20% of the total issued amount.

The amount payable for any redemption shall be 100% of the relevant amount of the principal amount of the Convertible Bonds so redeemed together with interest accrued thereon up to the date of repayment.

On the second, third and fourth anniversary of the date of issue of the Convertible Bonds and only on such date, each holder of the Convertible Bonds shall have the right at such holder's option to require the Company to redeem the Convertible Bonds held by such holder at 100% of the principal amount with respect to such Convertible Bonds together with interest accrued thereon up to the date of repayment.

- Ranking : The Convertible Bonds will rank pari passu with all other present and future unsecured obligations of the Company.
- Voting rights : The holders of the Convertible Bonds will not have any right to attend or vote at any meetings of the Company by virtue of their being holders of the Convertible Bonds.
- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchanges.
- Transferability : The Convertible Bonds may be transferred by the holders of the Convertible Bonds to any party in multiples of USD200,000, save that any transfer to a connected person of the Company shall be subject to the prior consent of the Company, and if so required, the prior approval of the Stock Exchange.
- Final Redemption and Repayment : Unless the conversion rights attaching to the Convertible Bonds have been exercised during the conversion period or the Convertible Bonds have been redeemed prior to the maturity date, the Company is obliged to make any redemption, in cash of the outstanding principal amount of the Convertible bonds and the accrued and unpaid interest on the maturity date.

Conversion Shares

The Conversion Shares to be issued upon conversion of the Convertible Bonds will rank pari passu in all respects with the Shares in issue on the date of issue and allotment of such Conversion Shares.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds in aggregate of USD5,000,000 (in its HK\$ equivalent of approximately HK\$38,750,000) at the Conversion Price of HK\$0.40 by all holders of the Convertible Bonds, the Company will issue an aggregate of 96,875,000 new Shares, representing approximately (i) 30.27% of the existing issued share capital of the Company, and (ii)

23.24% of the issued share capital of the Company as enlarged by the exercise of the conversion rights in full attaching to the Convertible Bonds of an aggregate of USD5,000,000 (in its HK\$ equivalent of approximately HK\$38,750,000) at the Conversion Price of HK\$0.40.

The market value of the 96,875,000 Conversion Shares will be in the aggregate amount of approximately HK\$39,719,000 based on the closing price of HK\$0.41 per Share on 27 January 2006, being the last trading day immediately prior to this announcement.

Application will be made by the Company for the listing of, and the permission to deal in, the Conversion Shares to be issued upon exercise of the conversion rights attaching to the Convertible Bonds on GEM.

Use of proceeds

Assuming fully placed, the net proceeds for the placing of the Convertible Bonds (after deduction of expenses) amounted to approximately HK\$38.3 million, of which approximately HK\$33 million will be used to settle the cash portion of the Consideration as referred to in this announcement and the remaining approximately HK\$5.3 million will be used as general working capital. In the event that the Acquisition fails to proceed to Completion, the entire amount of the net proceed of approximately HK\$38.3 million will be retained by the Company as general working capital. Currently the Company has not earmarked any part of such funds for any other specific investment.

The Directors consider the terms and conditions of the Placing Agreement and the issue of the Convertible Bonds are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company has not conducted any equity-related fund raising exercise for the past 12 months immediately prior to the date of this announcement.

SHAREHOLDING STRUCTURE

The following tables show the shareholding structure before and after Completion, assuming the placing of the Convertible Bonds have been completed, immediately before and after the exercise of the conversion rights in full attaching to the Convertible Bonds of an aggregate principal amount of USD5,000,000 (in its HK\$ equivalent of approximately HK\$38,750,000) at the Conversion Price of HK\$0.40 are as follows:

Before Completion:

	Existing		(A) Immediately before the exercise of the conversion rights in full attaching to the Convertible Bonds		(B) Immediately after the exercise of the conversion rights in full attaching to the Convertible Bonds	
	Number of Shares	% of issued Shares	Number of Shares	% of issued Shares	Number of Shares	% of issued Shares
Newood Consultancy Limited (Note 1)	240,000,000	75.00%	240,000,000	75.00%	240,000,000	57.57%
The Placees (Note 2)	–	–	–	–	96,875,000	23.24%
Existing Public Shareholders	80,000,000	25.00%	80,000,000	25.00%	80,000,000	19.19%
Total:	320,000,000	100.00%	320,000,000	100.00%	416,875,000	100.00%

After Completion:

	Existing		(A) Immediately before the exercise of the conversion rights in full attaching to the Convertible Bonds		(B) Immediately after the exercise of the conversion rights in full attaching to the Convertible Bonds	
	Number of Shares	% of issued Shares	Number of Shares	% of issued Shares	Number of Shares	% of issued Shares
Newood Consultancy Limited (Note 1)	240,000,000	75.00%	240,000,000	73.83%	240,000,000	56.88%
The Vendors (Note 3)	–	–	5,089,974	1.57%	5,089,974	1.21%
The Placees (Note 2)	–	–	–	–	96,875,000	22.96%
Existing Public Shareholders	80,000,000	25.00%	80,000,000	24.61%	80,000,000	18.96%
Total:	320,000,000	100.00%	325,089,974	100.00%	421,964,974	100.00%

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, both are executive Directors.*
2. *Being Independent Third Parties to be procured by the Placing Agent to purchase the Convertible Bonds. None of the Placees is expected to become a substantial Shareholder upon the full exercise of his/her/its convertible rights attaching to the Convertible Bonds.*
3. *Being the aggregate number of Consideration Shares fall to be issued to the Vendors as part of the Consideration*

Based on the foregoing shareholding structure, the controlling Shareholder of the Company will remain unchanged. Since each of the Placees will be Independent Third Party and none of the Placees is expected to become a substantial Shareholder upon the full exercise of his/her/its convertible rights attaching to the Convertible Bonds, the minimum public floats percentage as prescribed by Rule 11.23 of the GEM Listing Rule will be maintained after Completion and the exercise in full by the holders of the Convertible Bonds of the conversion rights attaching to the Convertible Bonds.

GENERAL

A circular containing, amongst other things, further information about the Acquisition the Placing Agreement, the Convertible Bonds, the financial information of Indigo and the pro forma financial information of the enlarged Group together with the notice of the EGM will be despatched to the Shareholders as soon as practicable.

Shareholders and potential investors should note that the each of Acquisition Agreement and the Placing Agreement is subject to conditions precedent. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

As at the date of this announcement, the Board of the Company comprises of two Executive Directors, namely Mr. Yang Tsu Ying and Mr. Yang Ching Yau; and three Independent Non-Executive Directors, namely Mr. Yiu Chi Wah, Mr. Wong Kai Tung, Simon, and Mr. Fan Chi Fai, Paul.

III. SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares was suspended from 9:30 a.m. on 1 February 2006 pending the release of this announcement. Application has been made by the Company for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 17 February 2006.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the entire issued share capital of Indigo contemplated under the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 27 January 2006 entered into between the Company and the Vendors for the purchase of the entire issued shares of Indigo from the Vendors by the Company
“associates”	has the meaning as defined in the GEM Listing Rules
“Board”	the board of Directors
“Closing Financial Statement”	the unaudited financial statement to be prepared by Indigo in accordance with its past practice as reflected in its financial statements audited by Deloitte and Touche LLP for the period commenced on 1 April 2005 and ended on 31 October 2005, for the period commencing from 1 April 2005 and ending on the Friday immediately preceding the date of Completion
“Company”	Sonavox International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Acquisition
“Consideration”	the total consideration of not exceeding CAD5,300,000 (equivalent to approximately HK\$34,980,000) payable by the Company to the Vendors for the Acquisition
“Consideration Shares”	5,089,974 new Shares to be allotted and issued by the Company at HK\$0.389 per Share to the Vendors to satisfy part of the Consideration
“Controlling Shareholder”	Newood Consultancy Limited, the controlling Shareholder holding 240,000,000 Shares representing 75% of the existing issued share capital of the Company as at the date of this announcement
“Conversion Price”	The conversion price of the Convertible Bonds, initially being the USD equivalent to HK\$0.40 per Conversion Share, which is subject to adjustments as summarized in this announcement
“Conversion Shares”	new Shares which may fall to be issued upon conversion of the Convertible Bonds

“Convertible Bonds”	the 8% convertible redeemable bonds due 2011 to be issued by the Company in the aggregate principal amount of up to USD5,000,000 (in its HK\$ equivalent of approximately HK\$38,750,000) under the Placing Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company which will be convened to consider and approve, among other matters, the Acquisition and the issue of the Convertible Bonds
“Existing General Mandate”	the general mandate granted to the Board at the 2005 annual general meeting of the Company held on 30 May 2005 to allot, issue and otherwise deal in up to 64,000,000 new Shares
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) which is(are) not connected person(s) of the Company (as defined in the GEM Listing Rules)
“Indigo”	Indigo Manufacturing Inc., a company incorporated under the laws of Ontario, Canada
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Loan Repayment Amount”	outstanding payables by Indigo to two specified creditors, which were loans provided by related parties to Indigo as its working capital
“Placee(s)”	any individual, institutional or other professional investor(s) to be procured by the Placing Agent to subscribe for any principal amount of the Convertible Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement, each of whom will be an Independent Third Party

“Placing Agent”	MasterLink Securities (Hong Kong) Corporation Limited, a licensed corporation under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities and the placing agent in respect of the placing of the Convertible Bonds
“Placing Agreement”	the conditional placing agreement dated 27 January 2006 entered into between the Company and the Placing Agent in relation to the placing of the Convertible Bonds
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	all the shareholders of Indigo who in aggregate beneficially owned the entire issued shares of Indigo as at the date of the Acquisition Agreement
“%”	per cent.
“CAD”	Canadian dollar, the lawful currency of Canada
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“USD”	United States dollar, the lawful currency of the United States of America

For the purpose of illustration only, CAD to HK\$ is translated at a rate of CAD1.00 = HK\$6.60 and USD to HK\$ is translated at a rate of USD1.00 = HK\$7.75. No representation is made that any amounts in CAD and/or USD could have been or could be converted at such rate or any other rates or at all.

By order of the Board
Sonavox International Holdings Limited
Poon Lai Yin, Michael
Company Secretary

Hong Kong, 16 February 2006

This announcement, for which the directors of 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.