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## **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)

#### **CONTINUING CONNECTED TRANSACTIONS**

##### **Financial adviser to the Company**



On 28 February 2007, Sonavox Acoustics, a non-wholly owned subsidiary of the Company entered into the Agreements with Asian Elite and Sonavox Electronics respectively. Pursuant to the Agreements, Sonavox Acoustics has agreed to purchase Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics respectively.

Mr. Yang, a Director and one of the ultimate beneficial owners of Newood Consultancy Limited, the controlling Shareholder, indirectly wholly owned Asian Elite and indirectly held 65% interest of Sonavox Electronics together with his associates while the remaining 35% interest of Sonavox Electronics are held by Independent Third Parties. Thus, Asian Elite and Sonavox Electronics are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Since the expected annual consideration for the purchase of Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics respectively under the Asian Elite S&P Agreement and the SE S&P Agreement will exceed HK\$10,000,000 and 2.5% of the applicable percentage ratios as defined under the GEM Listing Rules, the entering of the Agreements by the Company constitutes continuing connected transactions and is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Pursuant to the GEM Listing Rules, the Continuing Connected Transactions are subject to the approval by the Independent Shareholders by way of poll at the EGM in which Newood Consultancy Limited, Mr. Yang and his associates, with material interest in the Continuing Connected Transactions, will be required to abstain from voting in relation to the resolutions to approve the Continuing Connected Transactions at the EGM.

A circular containing, among other things, (i) a letter from the Board containing further details of the Agreements; (ii) a letter from an independent financial adviser containing its advice in connection with the Continuing Connected Transactions to the independent committee of the Board and the Independent Shareholders; (iii) recommendations of the independent committee of the Board to the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

## THE AGREEMENTS

Sonavox Acoustics entered into the Agreements with Asian Elite and Sonavox Electronics respectively pursuant to which Sonavox Acoustics agreed to purchase Amplifier Systems from Asian Elite and ST Systems from Sonavox Electronics.

### (A) Asian Elite S&P Agreement

**Date:** 28 February 2007

**Parties:** (i) Asian Elite, whose relationship with the Company is more particularly set out in the paragraph headed “Implication under the GEM Listing Rules” below, as vendor; and

(ii) Sonavox Acoustics, as purchaser.

**Term:** From 1 March 2007 to 31 December 2009.

Pursuant to the Asian Elite S&P Agreement, Sonavox Acoustics has agreed to purchase from Asian Elite and Asian Elite has agreed to sell to Sonavox Acoustics Amplifier Systems during the term of the Asian Elite S&P Agreement.

The selling price of Amplifier Systems will be arrived at after arm’s length negotiations between Asian Elite and Sonavox Acoustics with reference to (i) costs of bill of materials and the relevant delivery costs and (ii) mark up margin on the costs mentioned in (i) above having regard to the reasonable comparables in the market, which is no less favourable to Sonavox Acoustics than those agreed between Asia Elite and other third party purchasers of Amplifier Systems.

The payment for the purchase of Amplifier Systems will be made by Sonavox Acoustics to Asian Elite within 90 days upon receipt of the invoice.

Sonavox Acoustics shall not be obliged to and will not accept any terms and conditions of the purchase of Amplifier Systems that are less favourable to it than those agreed between Sonavox Acoustics and its other third party suppliers of Amplifier Systems.

### Annual Capped Amount

The following table sets out the respective expected annual capped amount of the purchase of Amplifier Systems from Asian Elite by Sonavox Acoustics for the ten months ending 31 December 2007 and the two years ending 31 December 2009:

	<b>Ten months ending 31 December 2007</b>	<b>Year ending 31 December 2008</b>	<b>2009</b>
Expected annual cap	US\$10.02 million (equivalent to approximately HK\$78.16 million)	US\$15.63 million (equivalent to approximately HK\$121.91 million)	US\$20.31 million (equivalent to approximately HK\$158.42 million)

The aforesaid caps are determined with reference to the confirmed orders for subwoofer loudspeaker systems received by the Company up to the date of this announcement and the average growth rate of turnover of the Group during the past three years.

## **(B) SE S&P Agreement**

**Date:** 28 February 2007

**Parties:** (i) Sonavox Electronics, whose relationship with the Company is more particularly set out in the paragraph headed “Implication under the GEM Listing Rules” below, as vendor; and

(ii) Sonavox Acoustics, as purchaser.

**Term:** From 1 March 2007 to 31 December 2009.

Pursuant to the SE S&P Agreement, Sonavox Acoustics has agreed to purchase from Sonavox Electronics, and Sonavox Electronics has agreed to sell to Sonavox Acoustics ST Systems during the term of the SE S&P Agreement.

The selling price of ST Systems will be arrived at after arm’s length negotiations between Sonavox Electronics and Sonavox Acoustics with reference to (i) costs of bill of materials of ST Systems and the relevant delivery costs and (ii) mark up margin on the costs mentioned in (i) above having regard to the reasonable comparables in the market, which is no less favourable to Sonavox Acoustics than those agreed between Sonavox Electronics and other third party purchasers of ST Systems.

The payment for the purchase of ST Systems will be made by Sonavox Acoustics to Sonavox Electronics within 90 days upon receipt of the invoice.

Sonavox Acoustics shall not be obliged to and will not accept any terms and conditions of the purchase of ST Systems that are less favourable to it than those agreed between Sonavox Acoustics and its other third party suppliers of ST Systems.

## **Annual Capped Amount**

The following table sets out the respective expected annual capped amount of the purchase of ST Systems from Sonavox Electronics by Sonavox Acoustics for the ten months ending 31 December 2007 and the two years ending 31 December 2009:

	<b>Ten months ending 31 December 2007</b>	<b>Year ending 31 December 2008</b>	<b>2009</b>
Expected annual cap	US\$5.69 million (equivalent to approximately HK\$44.38 million)	US\$ 8.87 million (equivalent to approximately HK\$69.19 million)	US\$ 11.53 million (equivalent to approximately HK\$89.93 million)

The aforesaid caps are determined with reference to the confirmed orders for subwoofer loudspeaker systems received by the Company up to the date of this announcement and the average growth rate of turnover of the Group during the past three years.

## **IMPLICATION UNDER THE GEM LISTING RULES**

Mr. Yang, a Director and one of the ultimate beneficial owners of Newood Consultancy Limited, the controlling Shareholder, indirectly wholly owned Asian Elite and indirectly held 65% interest of Sonavox Electronics together with his associates while the remaining 35% interest of Sonavox Electronics are held by Independent Third Parties. Thus, Asian Elite and Sonavox Electronics are connected persons of the Company under Chapter 20 of the GEM Listing Rules. Since the expected annual consideration for the purchase of Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics respectively under the Asian Elite S&P Agreement and the SE S&P Agreement will exceed HK\$10,000,000 and 2.5% of the applicable percentage ratios as defined under the GEM Listing Rules, the entering of the Agreements by the Company constitutes continuing connected transactions and is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will comply with the requirements of annual review of the Continuing Connected Transactions under Rules 20.37 to 20.41 of the GEM Listing Rules and will comply with the relevant GEM Listing Rules if the annual cap is exceeded or, when the Agreements are renewed or, when there is a material change to the terms of the Agreements.

Pursuant to the GEM Listing Rules, the Continuing Connected Transactions are subject to the approval by the Independent Shareholders by way of poll at the EGM in which Newood Consultancy Limited, Mr. Yang and his associates, with material interest in the Continuing Connected Transactions, will be required to abstain from voting in relation to the resolutions to approve the Continuing Connected Transactions at the EGM.

## **REASONS FOR THE TRANSACTIONS**

The principal business activity of the Group is the design, development, manufacture and sale of home and automotive audio products to customers in the PRC and overseas.

Asian Elite is principally engaged in the business of sale and manufacturing of amplifiers.

Sonavox Electronics is principally engaged in the business of sale and manufacturing of loudspeaker for after market with private label.

The Amplifier Systems and ST Systems to be purchased from Asian Elite and Sonavox Electronics respectively will be assembled into subwoofer loudspeaker systems with the home theatres loudspeakers systems of Sonavox Acoustics which form new product lines of the Group and enable the Group to enlarge its revenue base.

Save for the transactions to be contemplated under the Agreements, the Group has not purchased Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics respectively in the past.

Based on the terms of the Agreements and given the above benefits of the Continuing Connected Transactions to the Company, the Directors consider that:

- (a) the terms and conditions of the Agreements were negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (b) the expected annual capped amounts for the purchases of Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics respectively for the terms of the Agreements as referred to above are fair and reasonable;
- (c) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole.

## **GENERAL**

A circular containing, among other things, (i) a letter from the Board containing further details of the Agreements; (ii) a letter from an independent financial adviser containing its advice in connection with the Continuing Connected Transactions to the independent committee of the Board and the Independent Shareholders; (iii) recommendations of the independent committee of the Board to the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Agreements”	collectively the Asian Elite S&P Agreement and the SE S&P Agreement;
“Amplifier Systems”	amplifier systems for automobiles and home audio;
“Asian Elite”	Asian Elite International Company Limited, a company incorporated in PRC and indirectly wholly-owned by Mr. Yang;
“Asian Elite S&P Agreement”	the sale and purchase agreement dated 28 February 2007 entered into between Sonavox Acoustics and Asian Elite in relation to the purchase of Amplifier Systems by Sonavox Acoustics from Asian Elite;
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Board”	the board of Directors;
“Company”	Sonavox International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM;

“connected person”	has the meaning ascribed to it under the GEM Listing Rules;
“Continuing Connected Transactions”	the continuing connected transactions constituted by the purchase of Amplifier Systems and ST Systems under the Agreements;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving by the Independent Shareholders of the Continuing Connected Transactions;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time;
“Group”	collectively, the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholder(s)”	Shareholders other than Newood Consultancy Limited, Mr. Yang and his associates;
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the GEM Listing Rules);
“Mr. Yang”	Mr. Yang Ching Yau, a Director and one of the ultimate beneficial owners of Newood Consultancy Limited, the controlling Shareholder;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Shareholder(s)”	shareholder(s) of the Company;
“Sonavox Acoustics”	Suzhou Sonavox Acoustics Co. Ltd., a company incorporated in the PRC and a non-wholly owned subsidiary of the Company;
“SE S&P Agreement”	the sale and purchase agreement dated 28 February 2007 entered into between Sonavox Acoustics and Sonavox Electronics in relation to the purchase of ST Systems by Sonavox Acoustics from Sonavox Electronics;
“Sonavox Electronics”	Sonavox Electronics (Suzhou Industrial Park) Company Limited, a company incorporated in PRC and indirectly owned as to 65% by Mr. Yang and his associates;

“ST Systems”	Subwoofer systems and Tweeter systems for automobiles and home audio;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

*For the purpose of illustration only, US\$ to HK\$ is translated at a rate of US\$1 = HK\$7.8. No representation is made that any amounts in US\$ could have been or could be converted at such rate or any other rates or at all.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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:*

- (i) the information contained in this announcement is accurate and complete in all material respects and not misleading;
- (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and
- (iii) 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.

As at the date of this announcement, the Board comprises 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.

By order of the Board  
**Sonavox International Holdings Limited**  
**Yang Ching Yau**  
*Chief Executive Officer*  
*Executive Director*

Hong Kong, 1 March 2007

*This announcement will remain on the “Latest Company Announcement” page of the GEM website for at least 7 days from the day of its posting.*