
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sonavox International Holdings Limited (“**Company**”), you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) takes no responsibility for the contents of this circular, 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 circular.

This circular, for which the directors (“**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 Growth Enterprise Market of the Stock Exchange 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 circular 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 circular misleading; and (iii) all opinions expressed in this circular 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)

PROPOSED ALTERATIONS TO THE ARTICLES OF ASSOCIATION AND THE GRANT OF THE NEW ISSUE MANDATE AND THE REPURCHASE MANDATE

A notice convening an annual general meeting of the Company to be held at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 28th April 2004 at 9:30 a.m. is set out in the annual report of the Company for the year ended 31st December 2003.

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

22nd March 2004

CHARACTERISTICS OF GEM

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 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.

DEFINITIONS

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

“2003 Annual Report”	the audited consolidated financial statements and the reports of the Directors and the auditors of the Company for the year ended 31st December 2003
“AGM”	the annual general meeting of the Company to be held at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 28th April 2004 at 9:30 a.m., a notice of which is set out in the 2003 Annual Report
“Articles”	the articles of association of the Company adopted pursuant to a resolution in writing of the sole Shareholder passed on 8th July 2002
“associates”	has the meaning as defined in 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 GEM
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“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
“Latest Practicable Date”	20th March 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“New Issue Mandate”	a general and unconditional mandate to the Directors to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the AGM
“Repurchase Mandate”	a general and unconditional mandate to the Directors to enable them to repurchase the Shares the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of passing the relevant resolution at the AGM
“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
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



SONAVOX INTERNATIONAL HOLDINGS LIMITED

上聲國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Yang Tsu Ying, Chairman
Yang Ching Yau

Independent non-executive Directors:

Yiu Chi Wah
Wong Kai Tung, Simon

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Head Office and

Principal Place of Business:

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Podium Plaza
No. 5 Hanoi Road
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Kowloon
Hong Kong

22nd March 2004

To the Shareholders

Dear Sirs

PROPOSED ALTERATIONS TO THE ARTICLES OF ASSOCIATION AND THE GRANT OF THE NEW ISSUE MANDATE AND THE REPURCHASE MANDATE

1. INTRODUCTION

It was announced by the Company on 22nd March 2004 in conjunction with the announcement of the Group's final results for the year ended 31st December 2003 that the alterations to the Articles would be proposed to the Shareholders for approval at the AGM.

The purpose of this circular is to provide you with further information regarding the proposed alterations to the Articles, the grant of the New Issue Mandate and the Repurchase Mandate.

2. ALTERATIONS TO THE ARTICLES OF ASSOCIATION

As announced by the Stock Exchange in its press release dated 30th January 2004, amendments to the GEM Listing Rules relating to corporate governance issues will take effect on 31st March 2004. Such amendments include amendments to Appendix 3 to the GEM Listing Rules which sets out the requirements that the articles of association or, as the case may be, the bye-laws of GEM listed issuers or GEM listing applicants shall comply with.

GEM listed issuers are given by the Stock Exchange a transitional period of six months from 31st March 2004 to comply with certain of the amendments to the GEM Listing Rules. To ensure compliance with the amended Appendix 3 to the GEM Listing Rules, GEM listed issuers must alter their articles of association or, as the case may be, bye-laws at the earliest opportunity and, in any event, no later than the conclusion of their next annual general meeting after 31st March 2004.

LETTER FROM THE BOARD

In view of the above, the Company proposes that the Articles be altered to ensure compliance with the amendments to Appendix 3 to the GEM Listing Rules. In general, the proposed alterations to the Articles are to be made to conform to the following that relates to corporate governance:

- (a) the minimum seven-day period of lodgment by the Shareholders of notice to nominate a Director shall commence no earlier than the date after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting;
- (b) Director shall abstain from voting at the meeting of the Board on any matter in which he or any of his associates has a material interest and not to be counted towards the quorum of the relevant meeting of the Board; and
- (c) where any Shareholder is, under the amended GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any vote cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

3. GRANT OF NEW ISSUE MANDATE AND REPURCHASE MANDATE

Pursuant to the ordinary resolutions passed by all the Shareholders at the annual general meeting of the Company held on 28th April 2003, the Directors were granted a general mandate to allot, issue and deal with Shares in the capital of the Company and a general mandate to purchase Shares on GEM. These mandates will expire at the conclusion of the AGM. To facilitate future allotment and issue of Shares by the Directors on behalf of the Company, the Director will seek the approval of the Shareholders for the grant of the New Issue Mandate and the Repurchase Mandate.

The Directors have no immediate plans to allot and issue any new Shares other than Shares which may fall to be issued upon the exercise of options granted under the share option scheme of the Company or pursuant to any scrip dividend scheme which may be approved by the Shareholders.

The explanatory statement required by the GEM Listing Rules to be included in this circular is set out in the Appendix.

4. ACTION TO BE TAKEN

The notice of the AGM is set out in the 2003 Annual Report and a related form of proxy is enclosed with the 2003 Annual Report.

Whether or not you intend to attend the AGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon not later than 48 hours before the time appointed for holding the AGM. Completion and return of the form of proxy will not preclude you from attending and voting in person if you so wish.

5. RECOMMENDATION

The Directors believe that the proposed alterations to the Articles of Association, the grant of the New Issue Mandate and the Repurchase Mandate are in the best interests of the Company and the Shareholders as a whole.

The Directors believe that an exercise of the New Issue Mandate will enable the Company to take advantage of market conditions to raise additional capital for the Company.

The Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases of Shares will benefit the Company and the Shareholders.

An exercise of the Repurchase Mandate in full could have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31st December 2003, being the date of its latest audited consolidated accounts. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

Accordingly, the Directors recommend that all Shareholders should vote in favour of the special/ordinary resolutions approving the proposed alterations to the Articles of Association, the grant of the New Issue Mandate and the Repurchase Mandate.

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

EXPLANATORY STATEMENT FOR THE REPURCHASE MANDATE

This Appendix serves as an explanatory statement, as required by the GEM Listing Rules, to provide requisite information as to the grant of the Repurchase Mandate.

1. GEM LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their shares on GEM and any other stock exchange on which the securities of the company are listed and such exchange is recognised by the Hong Kong Securities and Futures Commission subject to certain restrictions. Among such restrictions, the GEM Listing Rules provide that the shares of such a company must be fully paid up and all repurchase of shares by such a company must be approved in advance by an ordinary resolution of shareholders, either by way of a general repurchase mandate or by specific approval of a particular transaction.

2. SHARE CAPITAL

As at Latest Practicable Date, there was a total of 320,000,000 Shares in issue.

Subject to the passing of the proposed resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 32,000,000 Shares.

3. REASONS FOR THE REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on GEM or on stock exchange on which the Shares are listed, if any. Share repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset per Share and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders.

4. FUNDING OF REPURCHASES

Repurchase made pursuant to the Repurchase Mandate would be funded out of funds legally available for the purpose in accordance with the Company's memorandum and articles of association and the Companies Law. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Companies Law, repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with the position as at 31st December 2003, being the date of its latest audited consolidated financial statement. However, the Directors do not intend to make any repurchases to such an extent as would, in circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

EXPLANATORY STATEMENT FOR THE REPURCHASE MANDATE

5. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on GEM in each of the twelve months preceding the date of this circular were as follows:

	Highest HK\$	Lowest HK\$
March 2003	0.360	0.300
April 2003	0.360	0.315
May 2002	0.315	0.305
June 2003	0.350	0.280
July 2003	0.370	0.250
August 2003	0.330	0.300
September 2003	0.360	0.300
October 2003	0.355	0.340
November 2003	0.350	0.320
December 2003	0.350	0.270
January 2004	0.415	0.330
February 2004	0.390	0.340
March 2004 (<i>Note</i>)	0.370	0.360

Note: up to the Latest Practicable Date

6. THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If a shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, according to the register of members kept by the Company pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, Helen Lee, Yang Chuang Ching Hsiu, Newood Consultancy Limited, Silver Way Limited and HSBC International Trustee Limited, each of whom was interested in approximately 75% of the issued share capital of the Company, was the substantial shareholder interested in more than 5% of the issued share capital of the Company.

Assuming that none of Helen Lee, Yang Chuang Ching Hsiu, Newood Consultancy Limited, Silver Way Limited and HSBC International Trustee Limited dispose of their Shares or acquire additional Shares, if the Repurchase Mandate were exercised in full, the percentage shareholding of each of Helen Lee, Yang Chuang Ching Hsiu, Newood Consultancy Limited, Silver Way Limited and HSBC International Trustee Limited in the Company would be increased to approximately 83%.

On the basis of the shareholding interests of Helen Lee, Yang Chuang Ching Hsiu, Newood Consultancy Limited, Silver Way Limited and HSBC International Trustee Limited, none of them will be obligated to make a mandatory offer under Rule 26 of the Takeovers Code if the Repurchase Mandate is exercised in full. The Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in the number of Shares in the hands of public falling below the prescribed minimum percentage of 25%.

EXPLANATORY STATEMENT FOR THE REPURCHASE MANDATE

7. SHARE REPURCHASE MADE -BY THE COMPANY

The Company has not purchased any of the Shares (whether on GEM or otherwise) in the six months immediately preceding the Latest Practicable Date.

8. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates have any present intention to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that they will only exercise the power of the Company to make repurchase pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of Cayman Islands.

No connected person of the Company has notified the Company that he has a present intention to sell any securities to the Company nor has any such connected person undertaken not to sell any of the securities held by him to the Company in the event that the Repurchase Mandate is granted.