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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed 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 (the “Company”), you should at once hand this circular, together with the accompanying form of proxy, 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.

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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



Independent financial adviser to the Independent Board Committee and the Independent Shareholders



A notice convening the EGM (as defined herein) to be held at 14/F., Kam Sang Building, No. 257 Des Voeux Road Central, Hong Kong on Monday, 16 April 2007 at 11:30 a.m. is set out on pages 30 to 31 of this circular. Please complete and return the enclosed form of proxy in accordance with the instruction printed thereon to the Company's office c/o the Company Secretary at 14/F., Kam Sang Building, No. 257 Des Voeux Road, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) should you so wish.

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.

22 March 2007

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.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
The Agreements	5
Implication under the GEM Listing Rules	8
Reasons for the Continuing Connected Transactions	8
EGM	9
Procedures for demanding a poll	9
Recommendation	10
General	10
Letter from the Independent Board Committee	11
Letter from CSC Asia	12
Appendix – General Information	21
Notice of EGM	30

DEFINITIONS

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

“Agreements”	collectively the Asian Elite S&P Agreement and the SE S&P Agreement
“Amplifier Systems”	amplifier systems for automobiles and home audio
“Announcement”	the announcement of the Company dated 1 March 2007 regarding the Continuing Connected Transactions
“Asian Elite”	Asian Elite International Company Limited, a company incorporated in the 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(s)”	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
“CSC Asia”	CSC Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and a licensed corporation by the Securities and Futures Commission to conduct type 6 (advising on corporate finance) regulated activity under the SFO
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened on Monday, 16 April 2007 for the purpose of considering, and if thought fit, approving by the Independent Shareholders of the Continuing Connected Transactions and the respective annual caps

DEFINITIONS

“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 Board Committee”	an independent committee of the Board comprising the three independent non-executive Directors, namely, Mr. Yiu Chi Wah, Mr. Wong Kai Tung, Simon and Mr. Fan Chi Fai, Paul, for the purpose of advising the Independent Shareholders on the fairness and reasonableness of the Continuing Connected Transactions under the Agreements and the respective annual caps
“Independent Shareholder(s)”	Shareholders other than (i) Newood Consultancy Limited; (ii) Mr. Yang and his associates; and (iii) Asian Elite, Sonavox Electronics, their ultimate beneficial owners and their respective associates who are interested in any Shares
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Latest Practicable Date”	19 March 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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 which for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sonavox Acoustics”	Suzhou Sonavox Acoustics Co. Ltd., a company incorporated in the PRC and a non-wholly owned subsidiary of the Company
“Sonavox Electronics”	Sonavox Electronics (Suzhou Industrial Park) Company Limited, a company incorporated in the 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
“%”	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.

LETTER FROM THE BOARD



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)

Executive Directors:

Yang Tsu Ying, *Chairman*

Yang Ching Yau, *Chief Executive Officer*

Independent non-executive Directors:

Yiu Chi Wah

Wong Kai Tung, Simon

Fan Chi Fai, Paul

Registered Office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

Head Office and

Principal Place of Business:

14th Floor,

Kam Sang Building

No. 257 Des Voeux Road Central

Hong Kong

22 March 2007

To the Shareholders

Dear Sirs

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 1 March 2007, the Board announced that Sonavox Acoustics has entered into the Agreements with Asian Elite and Sonavox Electronics respectively on 28 February 2007. Pursuant to the Agreements, Sonavox Acoustics has agreed to purchase Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics respectively.

As at the Latest Practicable Date, Mr. Yang, a Director and one of the ultimate beneficial owners of Newwood 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

LETTER FROM THE BOARD

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 Sonavox Acoustics constitutes continuing connected transactions of the Company 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 (i) Newwood Consultancy Limited; (ii) Mr. Yang and his associates; and (iii) Asian Elite, Sonavox Electronics, their ultimate beneficial owners and their respective associates who are interested in any Shares, 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.

The Independent Board Committee comprising three independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions and the respective annual caps. CSC Asia has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of Continuing Connected Transactions and the respective annual caps are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with (i) further information in respect of the Agreements; (ii) the letter of advice from CSC Asia to the Independent Board Committee and the Independent Shareholders; (iii) the letter from the Independent Board Committee to the Independent Shareholders; and (iv) the notice of the EGM.

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.

LETTER FROM THE BOARD

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:

	Ten months ending 31 December 2007	Year ending 31 December	
		2008	2009
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 Group up to the date of the Announcement and the average growth rate of turnover of the Group during the past three years.

LETTER FROM THE BOARD

IMPLICATION UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, 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. To the best of the Directors' knowledge, save for Newood Consultancy Limited and Mr. Yang, none of Asian Elite, Sonavox Electronics, their ultimate beneficial owners and their respective associates are interested in any Shares. 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 Sonavox Acoustics 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 (i) Newood Consultancy Limited; (ii) Mr. Yang and his associates; and (iii) Asian Elite, Sonavox Electronics, their ultimate beneficial owners and their respective associates who are interested in any Shares, 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. As at the Latest Practicable Date, Newood Consultancy Limited was interested in approximately 73.83% of the issued capital of the Company and it is entitled to exercise control over the voting rights in respect of his equity interests in the Company of 240,000,000 Shares.

REASONS FOR THE CONTINUING CONNECTED 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.

LETTER FROM THE BOARD

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; and
- (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.

EGM

Set put on pages 30 to 31 to this circular is a notice convening the EGM to be held at 14/F., Kam Sang Building, No. 257 Des Voeux Road, Central, Hong Kong on Monday, 16 April 2007 at 11:30 a.m.. Ordinary resolutions will be proposed at the EGM for the Independent Shareholders to consider and if appropriate, to approve by way of poll the Agreements, the transactions contemplated thereunder and the respective annual caps. Each of (i) Newwood Consultancy Limited; (ii) Mr. Yang and his associates; and (iii) Asian Elite, Sonavox Electronics, their ultimate beneficial owners and their respective associates who are interested in any Shares, with material interest in the Continuing Connected Transactions as at the Latest Practicable Date, will abstain from voting at the EGM.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's office c/o the Company Secretary at 14/F., Kam Sang Building, No. 257 Des Voeux Road, Central, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM should you so desire.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 72 of the articles of association of the Company, at any general meeting of the Company a resolution put to vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of such meeting; or
- (ii) be at least three Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (iii) by any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 11 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning the Continuing Connected Transactions and the respective annual caps; and (ii) the letter from CSC Asia set out on pages 12 to 20 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions and the respective annual caps and the principal factors and reasons considered by CSC Asia in arriving at their recommendations.

Having considered the above principal factors and reasons, the Board is of the opinion that the terms of the Agreements, which constitute the Continuing Connected Transactions, and the respective annual caps are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are no less favourable to the Group than those from other third parties. The Continuing Connected Transactions are conducted in the ordinary and usual course of business in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Continuing Connected Transactions and the respective annual caps.

GENERAL

Your attention is also drawn to the additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders prepared for incorporation in this circular.



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)

22 March 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as the members of the Independent Board Committee to advise you in connection with the Continuing Connected Transactions and the respective annual caps, details of which are set out in the letter from the Board set out in the circular to the Shareholders dated 22 March 2007 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having taken into account the terms of the Continuing Connected Transactions, the principal factors and reasons considered by CSC Asia and their advice in relation hereto as set out on pages 12 to 20 of the Circular, we are of the opinion that the Continuing Connected Transactions and the respective annual caps will be conducted in the normal and usual course of business of the Company and the terms of the Continuing Connected Transactions and the respective annual caps are on normal commercial terms no less favourable to the Group than those available from other third parties which are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Continuing Connected Transactions and the respective annual caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

Yiu Chi Wah Wong Kai Tung, Simon Fan Chi Fai, Paul

Independent non-executive Directors

LETTER FROM CSC ASIA

The following is the text of a letter of advice from CSC Asia which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the respective annual caps.



CSC Asia Limited
Units 3204-07, 32/F
Cosco Tower
183 Queen's Road Central
Hong Kong

22 March 2007

*To: The independent board committee and
the independent shareholders of Sonavox International Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Continuing Connected Transactions and the respective annual caps, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company to the Shareholders dated 22 March 2007 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 28 February 2007, Sonavox Acoustics, a non-wholly owned subsidiary of the Company entered into the Asian Elite S&P Agreement and the SE S&P Agreement 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 from 1 March 2007 to 31 December 2009 (both days inclusive).

Since Mr. Yang, a Director and one of the ultimate beneficial owners of Newood Consultancy Limited, the controlling Shareholder, together with his associates are indirectly interested in 100% of Asian Elite and 65% of Sonavox Electronics, Asian Elite and Sonavox Electronics are therefore considered as connected persons of the Company pursuant to the GEM Listing Rules. As the Directors expect that the annual consideration of the purchase of Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics respectively will exceed HK\$10,000,000 and 2.5% of the applicable percentage ratios as defined under the GEM Listing Rules, the entering into of the Agreements by Sonavox Acoustics constitutes non-exempt continuing connected transactions for the Company and is subject to the reporting,

LETTER FROM CSC ASIA

announcement and approval by the Independent Shareholders under Chapter 20 of the GEM Listing Rules. As Newood Consultancy Limited, Mr. Yang, Asian Elite, Sonavox Electronics, ultimate beneficial owners of Asian Elite and Sonavox Electronics and their respective associates have material interests in the Continuing Connected Transactions, they are required to abstain from voting in respect of the ordinary resolutions to approve the Continuing Connected Transactions at the EGM. To the best of the Directors' knowledge, save for Newood Consultancy Limited and Mr. Yang, none of Asian Elite, Sonavox Electronics, their respective ultimate beneficial owners and their respective associates are interested in any Shares.

The Independent Board Committee comprising three independent non-executive Directors namely Messrs. Yiu Chi Wah, Wong Kai Tung, Simon and Fan Chi Fai, Paul, has been constituted to make recommendations to the Independent Shareholders regarding the Continuing Connected Transactions and the respective annual caps. Accordingly, we have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not (i) the transactions contemplated under the Agreements are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Agreements and the respective annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) the Independent Shareholders should vote in favour of the ordinary resolutions to approve the Continuing Connected Transactions and the respective annual caps in connection with the Agreements at the EGM.

CSC Asia Limited is independent from, and not connected with, the Company or any of its substantial shareholders, directors or chief executive, or any of their respective associates, and is accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our recommendations, we have relied on the information and facts supplied by the Company and the representations of, the Directors and management of the Company, including those set out in the Circular. We have assumed that all the information and representations so supplied by the Company and/or the Directors and all information and representations referred to or contained in the Circular, for which the Company and the Directors are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be so as the date hereof. No representation or warranty, expressed or implied, is made by us on the accuracy of such information or representation. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no material facts the omission of which would make any statements in the Circular misleading.

We consider that we have reviewed sufficient information and documents to reach an informed view and to provide a reasonable basis for our recommendations. We have not, however, conducted any independent investigation into the businesses or affairs or assets and liabilities or future prospects of the Group or other parties involved in the Continuing Connected Transactions, nor have we carried out any independent verification of information supplied.

LETTER FROM CSC ASIA

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the terms of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

(I) Background of and reasons for the Continuing Connected Transactions

The Group is principally engaged in the design, development, manufacture and sale of home and automotive audio products to customers in the PRC and overseas markets.

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 loudspeakers for after market with private label.

As referred to in the third quarterly report of the Company for the nine months ended 30 September 2006 (the “3rd Quarterly Report”), the Group has been developing new audio products for automobile and home theatre. According to the announcement made by the Company on 9 January 2007, Sonavox Acoustics had acquired machineries in preparation for new home theatre loudspeaker systems production lines which had been developed by Sonavox Acoustics. As stated in the Letter from the Board, the Amplifier Systems and ST Systems to be purchased from Asian Elite and Sonavox Electronics will be assembled into subwoofer loudspeaker systems with the home theatre loudspeaker systems of Sonavox Acoustics which form new product lines of the Group (the “New Product Lines”). Moreover, according to the Letter from the Board, the New Product Lines are expected to enlarge the revenue base of the Group. Further, we have been advised by the management of the Company that the machineries as mentioned above have been acquired to facilitate the manufacturing of the New Product Lines.

Given that the purchase of Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics respectively is for the purpose of assembling of the Group’s products, i.e. home theatre loudspeaker systems, the Continuing Connected Transactions fall within the ordinary and usual course of business of the Group.

The Directors expect that the Continuing Connected Transactions will be conducted on a frequent and regular basis as the purchase of Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics is to facilitate the Group in terms of supply of core assembling components of the New Product Lines. Therefore, the Directors consider that it would be (i) impracticable to negotiate with both Asian Elite and Sonavox Electronics for every purchase of Amplifier Systems and ST Systems; and (ii) too costly and impractical to make regular announcement and disclosure of each of the relevant transactions and obtain prior approval from the Independent Shareholders, as required by the GEM Listing Rules.

Based on our discussion with the management of the Company, we are given to understand that the assembling of Amplifier Systems and ST Systems designed and manufactured by Asian Elite and Sonavox Electronics respectively into subwoofer loudspeaker systems with the home theatre loudspeaker systems is principally the specific requirements from Sonavox Acoustics’ customers. Furthermore, we have been advised by the management of the Company that the manufacturing facilities of Asian Elite and Sonavox

LETTER FROM CSC ASIA

Electronics are located in Suzhou, the PRC and within close proximity with the manufacturing facilities of Sonavox Acoustics.

Having taken into consideration (i) the close proximity of the manufacturing facilities between Sonavox Acoustics and both Asian Elite and Sonavox Electronics will be more cost-effective for the Group to purchase Amplifier Systems and ST Systems from Asian Elite and Sonavox Electronics in terms of procurement of lead time and transportation cost when compared with other Independent Third Party suppliers; (ii) the fact that Amplifier Systems and ST Systems supplied by Asian Elite and Sonavox Electronics respectively were specifically requested by the customers of Sonavox Acoustics to be assembled into subwoofer loudspeaker systems with the home theatre loudspeaker systems; (iii) as a result of entering into the Agreements, the Group can formalise its business arrangements with both Asian Elite and Sonavox Electronics and secure the supplies of Amplifier Systems and ST Systems specifically required by Sonavox Acoustics' customers; and (iv) the Continuing Connected Transactions are to facilitate the Group in terms of supply of core assembling components to manufacture the New Product Lines which are expected to enlarge the Group's revenue base, we are of the view that the entering into of the Agreements are in the interests of the Company and the Shareholders taken as a whole.

(II) Principal terms of the Agreements

On 28 February 2007, Sonavox Acoustics entered into the Asian Elite S&P Agreement with Asian Elite for the purchase of Amplifier Systems and the SE S&P Agreement with Sonavox Electronics for the purchase of ST Systems effective from 1 March 2007 to 31 December 2009.

As stated in the Letter from the Board, the selling prices of Amplifier Systems and ST Systems will be arrived at after arm's length negotiations between Asian Elite and Sonavox Acoustics, and Sonavox Electronics and Sonavox Acoustics respectively with reference to the (i) costs of bill of materials and the relevant delivery costs; and (ii) mark up margin on the costs mentioned in (i) with regards to the reasonable comparables in the market, which is no less favourable to Sonavox Acoustics than those agreed between Asian Elite and other third party purchasers of Amplifier Systems and Sonavox Electronics and other third party purchasers of ST Systems. Payments for the Amplifier Systems and ST Systems will be made by Sonavox Acoustics to Asian Elite and Sonavox Electronics within 90 days upon receipt of the invoice. Pursuant to the Agreements, Asian Elite and Sonavox Electronics are to prioritise their supplies of Amplifier Systems and ST Systems concerned to Sonavox Acoustics over other third party purchasers of Amplifier Systems and ST Systems.

In the process of assessing whether the price quotations offered by Asian Elite and Sonavox Electronics are fair and reasonable, we note that Sonavox Acoustics has not obtained any price quotations from other third party suppliers for Amplifier Systems and ST Systems. Upon our discussion with the management of the Company, we are given to understand that the production of the New Product Lines is based on the Group's patented amplifier technology for audio applications and the Group has not identified any other qualified suppliers to seek for quotations for such unique Amplifier Systems and ST Systems. Moreover, as mentioned above, it was the specific requirement requested by the customers of Sonavox Acoustics to assemble Amplifier Systems and ST Systems designed and manufactured by Asian Elite and Sonavox Electronics respectively. Accordingly, no price quotation was obtained by Sonavox Acoustics from other third party suppliers for Amplifier Systems and ST Systems.

LETTER FROM CSC ASIA

On the above basis, we consider that it is commercially justifiable for Sonavox Acoustics to compare with prices offered by Asian Elite and Sonavox Electronics to other third party purchasers to satisfy that the terms of the Agreements are no less favourable to the Group than those offered to third party purchasers and are on normal commercial terms.

To assess whether the price quotations offered by Asian Elite and Sonavox Electronics under the Agreements are fair and reasonable, we have reviewed historical samples of price quotations of purchase of Amplifier Systems and ST Systems from (i) Asian Elite and Sonavox Electronics to Sonavox Acoustics; and (ii) Asian Elite and Sonavox Electronics to their respective third party purchasers of Amplifier Systems and ST Systems. We noted that the prices quoted from Asian Elite and Sonavox Electronics to Sonavox Acoustics were similar to the sampled price quotations from Asian Elite and Sonavox Electronics to their respective third party purchasers of Amplifier Systems and ST Systems. Given that the price quotations from Asian Elite and Sonavox Electronics to Sonavox Acoustics are in line with the prices quoted from Asian Elite and Sonavox Electronics to their respective third party purchasers, we consider that it is commercially justifiable that the pricing determination of Amplifier Systems and ST Systems to include mark up margin on the actual costs.

Having taken into consideration that the price quotations from both Asian Elite and Sonavox Electronics to Sonavox Acoustics are in line with the prices quoted to other third party purchasers and no less favourable to Sonavox Acoustics than to other third party purchasers, we consider that the pricing determination as a whole is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

Pursuant to the terms of the Agreements, should any terms or conditions in the provision of Amplifier Systems by Asian Elite to Sonavox Acoustics or ST Systems by Sonavox Electronics to Sonavox Acoustics be less favourable than those agreed between Sonavox Acoustics and its third party suppliers of Amplifier Systems and ST Systems, Sonavox Acoustics shall not be obliged to accept such terms and conditions.

We have been represented by the management of the Company that the payment terms offered by Asian Elite and Sonavox Electronics to other third party purchasers of Amplifier Systems and ST Systems are in the range of 60 to 90 days. Given the above, we consider the payment terms under the Agreements are no less favourable than that offered to other third party purchasers of Amplifier Systems and ST Systems. We have also reviewed historical payments terms offered by other Independent Third Party suppliers of Sonavox Acoustics and have noted that the payment terms offered by Asian Elite and Sonavox Electronics to Sonavox Acoustics were no less favourable than that offered by other Independent Third Party suppliers. In addition, we note that payment terms being cost of sales for the year ended 31 December 2005 over average trade and notes payables as at 31 December 2005 multiplied by 365 days was approximately 84 days (calculated based on the average between the trade and note payables of approximately HK\$46.77 million as at 31 December 2005 and approximately HK\$40.45 million as at 31 December 2004 divided by the cost of goods sold for the year ended 31 December 2005 of approximately HK\$189.69 million and multiplied by 365 days) as extracted from the Company's annual report for the year ended 31 December 2005. Accordingly, based on the historical payment terms, we are of the view that the payment terms under the Agreements are on normal commercial terms and no less favourable than those offered by the Group's Independent Third Party suppliers.

LETTER FROM CSC ASIA

Based on the above, we concur with the view of the Directors that the terms of the Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(III) The proposed annual capped amounts for the Continuing Connected Transactions

The following table sets out the expected annual capped amount for each of the Continuing Connected Transactions for the ten months ending 31 December 2007 and each of the two years ending 31 December 2009:

	Ten months ending		Year ending 31 December			
	31 December		2008		2009	
	2007					
	US\$	HK\$	US\$	HK\$	US\$	HK\$
	million	million	million	million	million	million
		<i>(Note)</i>		<i>(Note)</i>		<i>(Note)</i>
Purchase of Amplifier Systems from Asian Elite	10.02	78.16	15.63	121.91	20.31	158.42
Purchase of ST Systems from Sonavox Electronics	5.69	44.38	8.87	69.19	11.53	89.93

Note: Expected annual caps for each of the Continuing Connected Transactions are denominated in US\$, amount denominated in HK\$ are approximated figures and are shown for illustrative purpose only.

In assessing whether the above annual capped amounts are fair and reasonable, we have discussed with the Directors on the basis of determining the expected annual capped amounts for each of the Continuing Connected Transactions.

As advised by the Directors, the annual capped amounts are determined with reference to (i) confirmed orders received by the Group for the New Product Lines up to the date of the Announcement; and (ii) average growth rate of the Group's turnover during the past three years.

As advised by the Directors, the proposed annual capped amounts for each of the Agreements for the ten months ending 31 December 2007 are determined according to confirmed customer orders received for the New Product Lines and management estimation of customer orders with reference to confirmed customer orders received. The proposed annual caps for each of the Agreements for the years ending 31 December 2008 and 2009 are calculated at a growth rate of 30% from their annualised annual cap and annual cap in the preceding year respectively.

As referred to in the 3rd Quarterly Report, the Group has been developing new audio products for automobile and home theatre. As advised by the Directors, as a result of Sonavox Acoustics' effort in product development, Sonavox Acoustics had launched new audio products for home theatre loudspeaker systems. Moreover, Sonavox Acoustics has already received purchase orders for the New Product Lines. As advised by the Directors and upon our review of confirmed customer orders received by Sonavox

LETTER FROM CSC ASIA

Acoustics which involved the use of Amplifier Systems and ST Systems, we note that the total purchase amount to be made from Asian Elite and Sonavox Electronics as a result of the aforesaid confirmed customer orders as at the Latest Practicable Date represents approximately 7% and 11% of their respective estimated capped amounts for the ten months ending 31 December 2007. In view of the amount of customer orders received by Sonavox Acoustics at an early stage of the launch of new products, the Directors are optimistic in the New Product Lines developed by Sonavox Acoustics. Furthermore, we were advised by the management of the Company that a customer of the Group (the "Customer") is highly likely to change its mode of business operation by outsourcing most of its manufacturing process to other manufacturers of loudspeakers and minimising the number of manufacturers of complete turnkey audio products. We have been further advised by the management of the Company that based on their recent discussions with the Customer, the Directors anticipate that with the Group's established business relationship with the Customer and the Customer's confirmed orders, the Group will be maintained as one of the manufacturers of complete turnkey audio products by the Customer, as a result, the demand for Amplifier Systems and ST Systems is likely to surge. Further, we note that majority of the confirmed orders are placed by the Customer. Based on the above, we consider that the basis of estimating potential orders from the Customer is fair and reasonable. Thereby, it is envisaged by the Directors that the sales of Sonavox Acoustics' new product lines will be increasing in the coming years.

Based on our discussion with management of the Company, we are given to understand that as there have been no historical sales recorded for the New Product Lines developed by Sonavox Acoustics, the basis of determination of the annual capped amounts was not only on confirmed orders but also on the average growth rate of turnover of the Group during the past three years. In this regards, we have reviewed the historical turnover of the Group and we note that based on the Company's annual reports for the years ended 31 December 2005 and 2003, the Group reported total turnover of approximately HK\$234 million for the year ended 31 December 2005 and approximately HK\$77 million for the year ended 31 December 2002. As such the compound annual growth rate ("CAGR") from year 2002 to 2005 of the Group's turnover would be approximately 45%. As stated in the annual reports of the Company for the years ended 31 December 2005 and 2003, sales of home theatre loudspeaker systems of the Group amounted to approximately HK\$50 million and HK\$14 million respectively, which represented CAGR of approximately 53% in home theatre loudspeaker systems sales from year 2002 to 2005. Based on the above, we note that growth of estimated annual capped amounts of 30% for the years ending 31 December 2008 and 2009 from their annualised annual cap and annual cap in the preceding year is consistent with the historical CAGR from 2002 and 2005 in turnover.

Having taking into consideration (i) the amounts of confirmed customer orders received by Sonavox Acoustics for its newly developed products at early stage of launch indicating positive response from its customers to the New Product Lines; (ii) potential increase of orders from the Customer with the anticipation by the Directors that the Group will be selected as one of the few manufacturers of complete turnkey audio products based on the Group's established business relationship with the Customer and confirmed orders for the New Product Lines; (iii) growth of estimated annual capped amounts is consistent with the Group's growth trend in turnover with CAGR of approximately 45% from 2002 to 2005; and (iv) estimated annual capped amounts provide flexibility for Sonavox Acoustics to cater for future potential demand for the New Product Lines, we consider that the estimated annual capped amounts in relation to the purchase of Amplifier Systems from Asian Elite and purchase of ST Systems from Sonavox Electronics have been determined using fair and reasonable basis and are therefore fair and reasonable as far as the Company and the Shareholders are concerned.

LETTER FROM CSC ASIA

(IV) Annual review of Continuing Connected Transactions

Pursuant to Rules 20.37 to 20.40 of the GEM Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - (1) in the ordinary and usual course of business of the Group;
 - (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties; and
 - (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
 - (1) have received the approval of the Board;
 - (2) are in accordance with the pricing policies of the Group;
 - (3) have been entered into in accordance with the relevant agreement governing the transactions; and
 - (4) have not exceeded the annual capped amounts;
- (c) the Company shall allow, and shall procure the relevant counterparty to the Continuing Connected Transactions shall allow, the Company's auditors with sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions as set out in paragraphs (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

As set out in the Letter from the Board, the Company will comply with the annual review requirements of the Continuing Connected Transactions as stated above and will re-comply with the relevant GEM Listing Rules if the estimated annual capped amounts are exceeded or, when the relevant agreements are renewed or, when there is a material change to the terms of the Continuing Connected Transactions.

LETTER FROM CSC ASIA

In light of the above conditions for the Continuing Connected Transactions, we are of the view that there are appropriate measures in place to govern the Continuing Connected Transactions and protect the interests of the Independent Shareholders.

RECOMMENDATIONS

Having considered the above principal factors and reasons in respect to the Continuing Connected Transactions, in particular,

- the background of and the reasons for carrying out the Continuing Connected Transactions;
- the pricing and other terms of the Agreements will be arrived at after arm's length negotiations with Asian Elite and Sonavox Electronics with regard to reasonable market comparables, which are no less favourable to Sonavox Acoustics than those offered to third party purchasers and are on normal commercial terms;
- the basis of determining the estimated annual capped amounts for each of the Continuing Connected Transactions is considered being fair and reasonable; and
- the annual review conditions attached to Continuing Connected Transactions as a mechanism to protect the interests of the Independent Shareholders,

we are of the view that the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the Agreements and the respective annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to approve the Continuing Connected Transactions and the respective annual caps at the EGM.

Yours faithfully,
For and on behalf of
CSC Asia Limited
Andrew Chiu
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) 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.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the shares of the Company

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	73.83%
Mr. Yang Ching Yau (Note)	Corporate	Interest of a controlled corporation	240,000,000	73.83%

(b) Long positions in the shares of equity derivatives of the Company

Name of Director	Capacity	Description of equity derivatives	Number of Shares	Percentage of interest
Mr. Yang Tsu Ying	Beneficial owner	Share option	2,000,000	0.615%
Mr. Yang Ching Yau	Beneficial owner	Share option	2,000,000	0.615%

Note: Mr. Yang Tsu Ying and Mr. Yang Ching Yau are indirectly beneficially interested in the Company on trust through Newood Consultancy Limited, a company owned by Silver Way Limited in which Silver Way Limited is wholly owned by HSBC International Trustee Limited as the trustee.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had interests or short positions in any securities 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 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

(a) Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares held	Percentage of interest
Newood Consultancy Limited <i>(Note 1)</i>	Beneficial owner	240,000,000	73.83%
Silver Way Limited <i>(Note 1)</i>	Interest of a controlled corporation	240,000,000	73.83%
HSBC International Trustee Limited <i>(Note 1)</i>	Trustee	240,000,000	73.83%
Madam Yang Chuang Ching-Hsiu <i>(Note 2)</i>	Interest of spouse	240,000,000	73.83%
Ms. Helen Lee <i>(Note 3)</i>	Interest of spouse	240,000,000	73.83%

(b) Long positions in the shares of equity derivatives of the Company

Name	Capacity	Description of equity derivatives	Number of Shares	Percentage of interest
Madam Yang Chuang Ching-Hsiu (Note 2)	Interest of spouse	Share option	2,000,000	0.615%
Ms. Helen Lee (Note 3)	Interest of spouse	Share option	2,000,000	0.615%

Notes:

- (1) Newood Consultancy Limited is a company wholly owned by Silver Way Limited. Both Mr. Yang Tsu Ying and Mr. Yang Ching Yau are the directors of Newood Consultancy Limited and 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 include Mr. Yang Tsu Ying and Mr. Yang Ching Yau.
- (2) Madam Yang Chuang Ching-Hsiu is the spouse of Mr. Yang Tsu Ying and is therefore deemed to be, under the SFO, interested in all 240,000,000 Shares and all 2,000,000 share option in which Mr. Yang Tsu Ying is interested.
- (3) Ms. Helen Lee is the spouse of Mr. Yang Ching Yau and is therefore deemed to be, under the SFO, interested in all 240,000,000 Shares and all 2,000,000 share option in which Mr. Yang Ching Yau is interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person or company (other than Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% 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.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

5. DIRECTORS' SERVICE CONTRACT

Each of Mr. Yang Tsu Ying and Mr. Yang Ching Yau (being all the executive Directors), has entered into a service contract with the Company for an initial term of three years commencing from 1 July 2002, and will continue thereafter for successive terms of one year until terminated by not less than three months' notice in writing served by either party on the other. Each of these executive Directors is entitled to the respective annual basic salary set out below.

Name of executive director	Amount
Mr. Yang Tsu Ying	HK\$65,000
Mr. Yang Ching Yau	HK\$260,000

The independent non-executive Directors ("INED") have been appointed for a term of one year. Each of the independent non-executive directors is entitled to an annual director's fee set out below. Save for the directors' fees, none of the INED is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Name of INED	Amount
Mr. Fan Chi Fai, Paul	HK\$96,000
Mr. Yiu Chi Wah	HK\$96,000
Mr. Wong Kai Tung, Simon	HK\$96,000

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries.

6. 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 (Suzhou Industrial Park) Company Limited, Sonavox Electronics Inc., Sonavox Electronics Limited, Fortune Win Limited and their respective subsidiaries and associated companies (collectively known as 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 for automotive aftermarket, Mr. Yang Tsu Ying, Mr. Yang Ching Yau and the Private Group have entered into the deed of undertaking on 15 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. Mr. Yang Tsu Ying, Mr. Yang Ching Yau and the Private Group have so far in compliance with such undertaking.

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.

7. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, the Directors confirm that none of the Directors has any direct or indirect interests in any assets which have been, since 31 December 2005 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to the Company or any member of the Group.

8. DIRECTORS' INTEREST IN CONTRACTS

Save for Mr. Yang's interest in the Agreements as disclosed in this Circular, the Directors confirm that there is no contract or arrangement subsisting at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Group.

9. CONSENT OF EXPERT

CSC Asia is a licensed corporation under the SFO to conduct type 6 regulated activity under the SFO.

The letter and recommendation given by CSC Asia are given for incorporation in this circular. CSC Asia has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, CSC Asia was not interested in any Shares or shares in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, CSC Asia did not have any direct or indirect interest in any asset which had been, since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, the date to which the latest published audited consolidated financial statements of the Group were made up.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at 14/F., Kam Sang Building, No. 257 Des Voeux Road, Central, Hong Kong, from the date of this circular up to and including the date of the EGM:

- (a) the Company's memorandum and articles of association;

- (b) the Asian Elite S&P Agreement;
- (c) the SE S&P Agreement;
- (d) the letter from the Independent Board Committee as set out in this circular;
- (e) the letter from CSC Asia as set out in this circular;
- (f) the written consent given by CSC Asia in connection with the issue of this circular as referred to in this appendix;
- (g) the Directors' service contracts referred to under the section headed "Directors' service contracts" in this appendix;
- (h) the annual reports of the Company for the three years ended 31 December 2005; and
- (i) this circular.

12. MISCELLANEOUS

- (a) Biographical details of the directors of the Company and the senior management of the Group are set out as follows:

Executive Directors

Mr. Yang Tsu Ying, aged 73, is the chairman and one of the founders of the Group. He has over 25 years of experience in manufacturing and trading of loudspeaker systems in overseas markets and over 10 years of experience in manufacturing and trading of loudspeaker systems in the Mainland China. He is responsible for the development of the overall corporate policy and strategies as well as overseeing the Group's operation management.

Mr. Yang Ching Yau, aged 37, is an executive Director, Chief Executive Officer and one of the founders of the Group. He has over 11 years of experience in the sales, engineering, marketing and manufacturing of loudspeaker systems. He is responsible for the sales and marketing, operations and corporate finance of the Group. He is the son of Mr. Yang Tsu Ying.

Independent non-executive Directors

Mr. Yiu Chi Wah, aged 43, is an independent non-executive director. Mr. Yiu has over 10 years of experience in finance and investment advisory affairs. He holds a bachelor's degree in arts with National Taiwan University in Taiwan and had worked for Polaris Securities (Hong Kong) Limited as a Responsible Officer and an investment adviser registered under the Securities Ordinance. Mr. Yiu was also a director of Polaris Finance Company Limited.

Mr. Wong Kai Tung, Simon, aged 39, is an independent non-executive director. Mr. Wong had worked for DBS Bank Limited, VC CEF Capital Limited and Deutsche Bank in the investment banking for the Greater China area. Mr. Wong has over 14 years of corporate and investment banking experience. Mr. Wong holds a bachelor's degree in arts (Honour) from the University of Hong Kong, a postgraduate certificate in Hong Kong Laws from the City University of Hong Kong and the executive certificate from INSEAD on Young Managers Program.

Mr. Fan Chi Fai, Paul, aged 44, is a qualified accountant. Mr. Fan is a member of Institute of Chartered Accountants in England and Wales and works as Finance Director of Networks Business for Motorola (China) Electronics Ltd. Mr. Fan has obtained an honour degree in Bachelor of Accountancy, Finance and Economics from the University of Essex, U.K. He was appointed as an independent non-executive director of the Group in September 2004.

Senior Management

Mr. Zhou Jian Ming, aged 49, is the general manager of subsidiaries in Mainland China. He is responsible for the general administration of all subsidiaries in Mainland China. He obtained a master's degree in business administration from Nanjing University, the PRC. He has extensive experience in enterprise management and has over 10 years of experience in the production management of loudspeaker systems. Mr. Zhou had worked for Wuxian Radio Components First Factory (吳縣無綫電元件一廠) and was responsible for corporate administration works. Currently, he is also involved in the sales and marketing activities in Mainland China and overseas.

Mr. Pan Hui Hua, aged 51, is the production manager and assistant general manager of subsidiaries in Mainland China. Mr. Pan joined the Group in 1994 and is responsible for the production of loudspeaker systems. He has over 15 years of experience in the development and production of loudspeaker systems. Mr. Pan had worked for Likou Town Government Industrial Co. ("LTGIC") (蠡口鎮政府工業總公司) as manager and was responsible for monitoring the operations of factories under the control of LTGIC.

Mr. Poon Lai Yin, Michael, aged 33, is the financial controller and the company secretary of the Group. He is an associate member of Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. He holds a bachelor's degree in administrative studies with York University in Canada and a master's degree in practicing accounting with Monash University in Australia. Mr. Poon has gained more than six years of experience in auditing, taxation and accounting. Prior to joining the Group in March 2002, Mr. Poon worked for an international accounting firm and was responsible for providing business advisory and assurance services to some listed clients.

- (b) The company secretary and qualified accountant of the Company is Mr. Poon Lai Yin, Michael who is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. The compliance officer of the Company is Mr. Yang Ching Yau.

- (c) The Company established an audit committee on 8 July 2002 with written terms of reference in compliance with Rules 5.28 to 5.33 of and Appendix 15 to 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 members comprise the three independent non-executive Directors:

Mr. Fan Chi Fai, Paul – *Committee Chairman*

Mr. Yiu Chi Wah

Mr. Wong Kai Tung, Simon

Save as disclosed in (a) above, none of the members of the audit committee has any directorships in other companies listed on GEM or main board of the Stock Exchange or other exchanges.

- (d) The registrars and transfer office of the Company is Union Registrars Limited at Room 311-312, Two Exchange Square, Central, Hong Kong.
- (e) The registered office of the Company is situated at Century Yard, Cricket Square, Hutchins Drive, P.O.Box 2681 GT, George Town, Grand Cayman, British West Indies and the head office of the Company is situated at 14/F., Kam Sang Building, No. 257 Des Voeux Road, Central, Hong Kong.
- (f) The English text of this circular prevails over the Chinese text.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Sonavox International Holdings Limited (the “**Company**”) will be held at 14/F., Kam Sang Building, No. 257 Des Voeux Road, Central, Hong Kong on Monday, 16 April 2007 at 11:30 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the sale and purchase agreement dated 28 February 2007 (“**Asian Elite S&P Agreement**”) entered between Asian Elite International Company Limited (“**Asian Elite**”) and Suzhou Sonavox Acoustics Co. Ltd. (“**Sonavox Acoustics**”) in relation to the purchase of amplifier systems for automobiles and home audio by Sonavox Acoustics a copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, be and is hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to do all things and acts, to sign and execute all such further documents and take such steps as they may consider necessary, appropriate, desirable or expedient to give effect to any matters relating to or in connection with the Asian Elite S&P Agreement and the transactions contemplated thereunder.”

2. “**THAT:**

the maximum aggregate annual value of the transaction contemplated under the Asian Elite S&P Agreement for each of the ten months ending 31 December 2007 and the two years ending 31 December 2009 of US\$10.02 million, US\$15.63 million and US\$20.31 million respectively, be and is hereby approved, confirmed and ratified.”

3. “**THAT:**

- (a) the sale and purchase agreement dated 28 February 2007 (“**SE S&P Agreement**”) entered between Sonavox Electronics (Suzhou Industrial Park) Company Limited (“**Sonavox Electronics**”) and Suzhou Sonavox Acoustics Co. Ltd. (“**Sonavox Acoustics**”) in relation to the purchase of subwoofer systems and tweeter systems for automobiles and home audio by Sonavox Acoustics, a copy of which has been produced to this meeting marked “B” and signed by the chairman of the meeting for the purpose of identification, be and is hereby approved, confirmed and ratified; and

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- (b) the directors of the Company be and are hereby authorised to do all things and acts, to sign and execute all such further documents and take such steps as they may consider necessary, appropriate, desirable or expedient to give effect to any matters relating to or in connection with the SE S&P Agreement and the transactions contemplated thereunder.”

4. **“THAT:**

the maximum aggregate annual value of the transactions contemplated under the SE S&P Agreement for each of the ten months ending 31 December 2007 and the two years ending 31 December 2009 of US\$5.69 million, US\$8.87 million and US\$11.53 million respectively, be and is hereby approved, confirmed and ratified.”

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

Hong Kong, 22 March 2007

Executive Directors:

Yang Tsu Ying, *Chairman*

Yang Ching Yau, *Chief Executive Officer*

Independent non-executive Directors:

Yiu Chi Wah

Wong Kai Tung, Simon

Fan Chi Fai, Paul

Notes:

1. Any member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company’s office in Hong Kong c/o the Company Secretary at 14/F., Kam Sang Building, No. 257 Des Voeux Road Central, Hong Kong not less than 48 hours before the time for holding the above meeting or at any adjournment thereof.
3. Completion and delivery of a form of proxy shall not preclude a member from attending and voting in person at the meeting if the member so desire and in such event, the form of proxy shall be deemed to be revoked.
4. Each of (i) Newwood Consultancy Limited; (ii) Mr. Yang Ching Yau and his associates; and (iii) Asian Elite, Sonavox Electronics, their ultimate beneficial owners and their respective associates who are interested in any shares of the Company, will abstain from voting on resolutions numbered 1, 2, 3 and 4 to approve the Asian Elite S&P Agreement, the SE S&P Agreement and the continuing connected transactions contemplated thereunder to be taken by way of poll.