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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Sonavox International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINAL RESULTS

The board of directors (the "Board") of Sonavox International Holdings Limited (the "Company") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009, together with the comparative figures as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 *HK$'000* (Restated)
Turnover	6	**434,766**	389,131
Cost of sales		**(336,876)**	(328,764)
Gross profit		**97,890**	60,367
Other revenue, gains and losses		**(433)**	10,104
Selling and marketing costs		**(13,051)**	(13,721)
Administrative expenses		**(60,337)**	(64,186)
Finance costs	7	**(10,178)**	(11,808)
Profit/(loss) before income tax expense	8	**13,891**	(19,244)
Income tax expense	9	**(947)**	(1,549)
Profit/(loss) for the year		**12,944**	(20,793)
Other comprehensive income			
– gain on revaluation of properties		**1,207**	18,187
– exchange differences on translating foreign operations		**5,320**	612
– income tax relating to revaluation of properties		**(199)**	(3,588)
Other comprehensive income for the year, net of tax		**6,328**	15,211
Total comprehensive income for the year		**19,272**	(5,582)

	Notes	**2009**	2008
		HK$'000	*HK$'000*
			(Restated)
Profit/(loss) attributable to:			
– owners of the Company		**(3,213)**	(14,420)
– minority interests		**16,157**	(6,373)
		12,944	(20,793)
Total comprehensive income attributable to:			
– owners of the Company		**1,909**	(11,680)
– minority interests		**17,363**	6,098
		19,272	(5,582)
Losses per share (HK cent)			
– basic	10	**(0.99)**	(4.44)
– diluted	10	**(0.96)**	(4.44)

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	At 31 December 2009 HK$'000	2008 HK$'000 (Restated)	At 1 January 2008 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**184,561**	191,547	167,147
Investment properties		**7,933**	–	–
Prepaid lease payments		**15,956**	16,326	12,649
Deferred tax assets		**7,251**	6,294	11,700
Intangible assets		**16,821**	15,746	21,532
Goodwill		**5,788**	4,966	6,316
Total non-current assets		**238,310**	234,879	219,344
Current assets				
Inventories		**55,524**	57,470	53,730
Trade and note receivables	12	**153,103**	88,359	114,974
Prepayments, deposits and other receivables		**19,508**	9,542	11,490
Amount due from minority shareholder of a subsidiary		**2,827**	3,500	246
Pledged bank deposits		**15,766**	15,149	–
Cash and cash equivalents		**49,028**	12,760	25,190
Total current assets		**295,756**	186,780	205,630
Total assets		**534,066**	421,659	424,974
Current liabilities				
Trade and note payables	13	**133,979**	84,909	101,238
Accruals and other payables		**42,683**	31,398	29,601
Amount due to ultimate holding company		**13,353**	5,604	–
Amount due to minority shareholder of a subsidiary		**11,376**	–	–
Derivative financial instrument		**–**	27	–
Obligations under finance leases – due within one year		**59**	134	326
Bank borrowings – due within one year		**93,361**	91,136	76,262
Current tax liabilities		**3,876**	2,927	3,403
		298,687	216,135	210,830
Net current liabilities		**(2,931)**	(29,355)	(5,200)
Total assets less current liabilities		**235,379**	205,524	214,144

Consolidated Statement of Financial Position – *Continued*
At 31 December 2009

	Notes	At 31 December 2009 HK$'000	2008 HK$'000 (Restated)	At 1 January 2008 HK$'000 (Restated)
Non-current liabilities				
Obligations under finance leases – due after one year		**–**	51	231
Deferred tax liabilities		**2,622**	2,504	1,892
Bank borrowings – due after one year		**2,161**	2,265	2,382
Embedded derivative financial instrument		**7,426**	2,145	6,593
Convertible bonds		**41,858**	37,204	36,109
Total non-current liabilities		**54,067**	44,169	47,207
TOTAL NET ASSETS		**181,312**	161,355	166,937
Capital and reserves attributable to owners of the Company				
Share capital	14	**3,251**	3,251	3,251
Reserves		**79,244**	77,335	89,015
Equity attributable to owners of the Company		**82,495**	80,586	92,266
Minority interests		**98,817**	80,769	74,671
TOTAL EQUITY		**181,312**	161,355	166,937

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital	Share premium	Property revaluation reserve	Statutory reserves *(Note (a))*	Share-based payment reserve	Merger reserve *(Note (b))*	Cumulative translation adjustment reserve	Accumulated profits	Equity attributable to owners of the Company	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008 (Previously reported)	3,251	27,682	2,598	7,250	1,948	2,441	15,235	27,735	88,140	70,706	158,846
Restatement of prior periods and opening balances *(Note 3)*	–	–	–	–	–	–	164	3,962	4,126	3,965	8,091
At 1 January 2008 (Restated)	3,251	27,682	2,598	7,250	1,948	2,441	15,399	31,697	92,266	74,671	166,937
Total comprehensive income for the year (Restated)	–	–	8,074	–	–	–	(5,334)	(14,420)	(11,680)	6,098	(5,582)
Cancellation of share options previously granted	–	–	–	–	(325)	–	–	325	–	–	–
At 31 December 2008 (Restated)	3,251	27,682	10,672	7,250	1,623	2,441	10,065	17,602	80,586	80,769	161,355
At 1 January 2009 (Previously reported)	3,251	27,682	10,672	7,250	1,623	2,441	15,467	18,679	87,065	75,700	162,765
Restatement of prior periods and opening balances *(Note 3)*	–	–	–	–	–	–	(5,402)	(1,077)	(6,479)	5,069	(1,410)
At 1 January 2009 (Restated)	3,251	27,682	10,672	7,250	1,623	2,441	10,065	17,602	80,586	80,769	161,355
Total comprehensive income for the year	–	–	1,008	–	–	–	4,114	(3,213)	1,909	17,363	19,272
Release of reserve	–	–	–	(438)	–	–	–	438	–	–	–
Additional capital injected into a subsidiary	–	–	–	–	–	–	–	–	–	685	685
At 31 December 2009	3,251	27,682	11,680	6,812	1,623	2,441	14,179	14,827	82,495	98,817	181,312

Notes:

(a) Statutory reserves

Pursuant to the articles of association of the group entities in the People's Republic of China (the "PRC"), appropriations are made from the accumulated profits to certain statutory reserves, based on a percentage of profit in accordance with the rules and regulations in the PRC. Such appropriations to reserves would be made only with approval from the board of directors of those group entities.

(b) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of the shares issued by the Company and the share capital and share premium of a subsidiary acquired through an exchange of shares.

Notes:

1. GENERAL INFORMATION

The principal activities of Sonavox International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are investment holding and manufacturing and sale of loudspeaker systems to customers in the PRC and overseas markets respectively.

The Company is a limited liability company incorporated in the Cayman Islands. The directors regard Newood Consultancy Limited, a company incorporated in the British Virgin Islands ("BVI"), as the ultimate holding company.

The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 July 2002.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for the following changes. All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards.

HKAS 1 (Revised), "Presentation of Financial Statements"

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the "Statement of Comprehensive Income", the "Statement of Financial Position" and the "Statement of Cash Flows" respectively. All income and expenses arising from transaction with non-owners are presented under the "Statement of Comprehensive Income"; while the owners' changes in equity are presented in the "Statement of Changes in Equity".

In addition, following the adoption of amendment to HKAS 1, as part of the Improvement to HKFRSs 2008, derivative financial instruments that are not expected to be realised within 12 months after the reporting period are classified as non-current assets or non-current liabilities. The Group's embedded derivative financial liabilities were previously classified as current liabilities. The reclassification has been applied retrospectively and comparative figures have been restated accordingly.

HKAS 23 (Revised), "Borrowing Costs"

The revised standard removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This change in accounting policy had no material impact on earnings per share and comparative figures have not been restated as a result of the adoption of this standard.

Pursuant to the transitional provision of the standard, group entities capitalise borrowing costs for all qualified assets where construction was commenced on or after 1 January 2009 and expense all borrowing costs relating to construction projects that commenced prior to 1 January 2009.

HKFRS 8, "Operating Segments"

HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires operating segments to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As a result of adopting HKFRS 8, the Group identified two operating segments based on the geographical locations of group entities that are provided to the chief operating decision maker. The change of reporting structure did not result in a reallocation of goodwill for the purposes of impairment testing as required by HKAS 36 "Impairment of Assets".

HKFRS 7 (Amendment), "Improving Disclosures about Financial Instruments"

The amendments to HKFRS 7 expand the disclosures relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued and are mandatory for accounting periods beginning on or after 1 January 2010, but have not been early adopted by the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvement to HKFRSs 2009 [2]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions [3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKFRS 3 (Revised)	Business Combinations [1]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [4]
HKAS 24 (Revised)	Related Party Disclosures [5]
HKFRS 9	Financial Instruments [6]

1 Effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 July 2010

5 Effective for annual periods beginning on or after 1 January 2011

6 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) Business Combinations may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) Consolidated and Separate Financial Statements will affect the accounting treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The amendment to HKAS 17 "Leases" made under "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met.

HKFRS 9, which is effective for annual periods beginning on or after 1 January 2013, uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in HKAS 39. The approach in HKFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in HKAS 39. Thus HKFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

The Group is in the process of making an assessment of the potential impact of other new and revised HKFRSs and the directors so far concluded that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group except for the above.

3. PRIOR PERIOD ADJUSTMENTS

In preparing the current year's financial statements, the following comparative financial information has been restated:

(a) Certain foreign currency translation adjustments relating to the Group's sales transactions for the year of 2008 and the years before have been miscalculated and fully recognised in the year of 2008. Part of these translation adjustments should have been recognised prior to the year of 2008. As a result, the total comprehensive income for the year ended 31 December 2008 has been overstated by approximately HK$9,501,000 and the opening balance of equity as at 1 January 2008 have been understated by HK$8,091,000.

(b) The exchange differences relating to the translation of the Group's non-wholly owned foreign operations to the presentation currency of these financial statements have been misallocated between the owners of the Company and the minority interests. As a result, the equity attributable to the owners of the Company has been overstated by HK$5,760,000 and the equity attributable to the minority interests has been understated by the same amount. This adjustment does not have any effect on the total equity at 31 December 2008 and the profit or loss for the year then ended.

As a result of the above restatement, a Consolidated Statement of Financial Position as at 1 January 2008 has also been presented in accordance with the requirement of the (Revised) HKAS 1. The effects of the prior period adjustments are summarised below:

Consolidated Statement of Comprehensive Income for the year ended 31 December 2008

As a result of issue (a)	*HK$'000*
Decrease in turnover	(3,174)
Decrease in cost of sales	529
Decrease in other revenue, gains and losses	(7,236)
Increase in loss for the year	(9,881)
Increase in exchange difference on translating foreign operations	380
Decrease in total comprehensive income for the year	(9,501)
Increase in loss for the year attributable to:	
– owners of the Company	(5,039)
– minority interests	(4,842)
	(9,881)
Decrease in total comprehensive income for the year attributable to:	
– owners of the Company	(4,845)
– minority interests	(4,656)
	(9,501)
Increase in losses per share (HK cent) – basic and diluted	(1.55)

Consolidated Statement of Financial Position

	31 December 2008 and 1 January 2009 *HK$'000*	1 January 2008 *HK$'000*
Equity attributable to the owners of the Company		
As a result of issue (a):		
(Decrease)/increase in accumulated profits	**(1,077)**	3,962
Increase in cumulative translation adjustment reserve	**358**	164
As a result of issue (b):		
Increase in cumulative translation adjustment reserve	**(5,760)**	–
	(6,479)	4,126
(Decrease)/increase in minority interests		
As a result of issue (a)	**(691)**	3,965
As a result of issue (b)	**5,760**	–
	5,069	3,965
(Decrease)/increase in total equity	**(1,410)**	8,091
Increase in trade and note receivables	**–**	9,466
Increase in other payables	**(1,410)**	(1,375)
	(1,410)	8,091

4. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for land and buildings, investment properties and certain financial instruments, which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

At 31 December 2009, the Group's current liabilities exceeded its current assets by HK$2,931,000 (2008 (restated): HK$29,355,000), which mainly includes bank and other loans repayable within one year of HK$118,149,000 (2008: HK$96,874,000). This situation indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration that sufficient cash flow will be generated from the Group's businesses based on the financial budget forecast approved by senior management covering five years.

In assessing the liquidity and going concern of the Group, the directors have also considered the repayment of the convertible bonds as scheduled in April 2011. The directors of the Company believe that the Group will have sufficient cash resources to satisfy the repayment of the convertible bonds. In addition, the ultimate holding company has agreed not to demand for repayment of the amount due by the Group until such time when repayment will not affect the Group's and the Company's ability to repay other creditors within twelve months from 31 December 2009.

Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group fail to continue as a going concern.

5. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has two reportable segments, namely the Mainland China and North American. The segments are managed separately based on the geographical locations in which they operate. Both segments are engaged in one business, which is manufacturing and sale of loudspeaker systems.

The segment information provided to the chief operating decision maker for reportable segments and reconciliation of the segments total to the amounts reported by the Group in these consolidated financial statements are as follows:

2009	**Mainland China**	**North America**	**Segments total**	**Reconciliation**	**Consolidated**
				(Note (c))	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers *(Note (a))*	370,933	63,833	434,766	–	434,766
Reportable segment profit/(loss) *(Note (b)(i))*	33,921	(16,895)	17,026	(3,135)	13,891
Depreciation and amortisation	16,825	2,686	19,511	218	19,729
Interest income	512	2	514	19	533
Interest expense	5,164	4,936	10,100	78	10,178
Impairment losses on inventories	2,496	–	2,496	–	2,496
Loss arising from fair value change of embedded derivative	–	(5,282)	(5,282)	–	(5,282)
Income tax expense	947	–	947	–	947
Segment assets *(Note (b)(ii))*	465,974	60,285	526,259	7,807	534,066
Segment liabilities *(Note (b)(iii))*	(260,116)	(75,904)	(336,020)	(16,734)	(352,754)
Addition to non-current assets:					
– property, plant and equipment	17,126	593	17,719	5	17,724

2008	Mainland China	North America	Segments total	Reconciliation	Consolidated
				(Note (c))	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers *(Note (a))*	294,872	94,259	389,131	–	389,131
Reportable segment loss *(Note (b)(i))*	(12,307)	(3,547)	(15,854)	(3,390)	(19,244)
Depreciation and amortisation	17,904	3,177	21,081	194	21,275
Interest income	392	11	403	12	415
Interest expense	6,566	4,902	11,468	340	11,808
Impairment losses on					
– inventories	2,664	–	2,664	–	2,664
– trade receivables	178	–	178	–	178
Gain arising from fair value change of embedded derivative	–	4,448	4,448	–	4,448
Income tax expense	1,549	–	1,549	–	1,549
Segment assets *(Note (b)(ii))*	361,733	52,042	413,775	7,884	421,659
Segment liabilities *(Note (b)(iii))*	(189,766)	(55,766)	(245,532)	(14,772)	(260,304)
Addition to non-current assets:					
– property, plant and equipment	17,144	77	17,221	–	17,221

Reconciliation of the segments' assets and liabilities to the amounts reported by the Group in these consolidated financial statements as at 1 January 2008 is as follows:

	Mainland China	North America	Segments total	Reconciliation	Consolidated
				(Note (c))	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets *(Note (b)(ii))*	370,875	46,440	417,315	7,659	424,974
Segment liabilities *(Note (b)(iii))*	(212,714)	(33,218)	(245,932)	(12,105)	(258,037)

Notes:

(a) Revenue of approximately HK$87,195,000 (2008: HK$81,874,000) was derived from a single external customer and is attributable to the reportable segment of "Mainland China".

(b) The differences in respect of the measurements of the reportable segments' profit or loss, segment assets and liabilities to the Group's profit or loss before income tax expense, assets and liabilities, respectively, are as follows:

(i) The amount mainly represents staff costs incurred in maintaining operation of corporate level of the Group.

(ii) The amount mainly represents corporate assets of land and building situated in Hong Kong.

(iii) The amount mainly represents bank borrowings at corporate level of the Group.

(c) Reconciliation represents unallocated corporate income and expenses, assets and liabilities as follows:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Reportable segment profit/(loss)	**17,026**	(15,854)
Depreciation and amortisation	**(218)**	(194)
Directors' emoluments	**(613)**	(662)
Others	**(2,304)**	(2,534)
Profit/(loss) before income tax expense	**13,891**	(19,244)

	At 31 December		**At 1 January**
	2009	2008	2008
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Assets			
Reportable segment assets	**526,259**	413,775	417,315
Unallocated corporate assets	**7,807**	7,884	7,659
Consolidated total assets	**534,066**	421,659	424,974
Liabilities			
Reportable segment liabilities	**336,020**	245,532	245,932
Unallocated corporate liabilities	**16,734**	14,772	12,105
Consolidated total liabilities	**352,754**	260,304	258,037

6. TURNOVER

Turnover, which is also the revenue, represents the net invoiced value of goods sold, net of discounts and sales related taxes.

7. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
– bank and other borrowings wholly repayable within five years *(Note)*	**5,443**	7,252
– mortgage loan repayable over five years	**58**	72
– convertible bonds	**4,654**	4,447
– finance leases	**23**	37
	10,178	11,808

Note: Included in interest on other borrowings is an amount of HK$78,000 (2008: HK$Nil) charged by a minority shareholder of a group entity in the PRC.

8. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense is arrived at after charging/(crediting):

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Inventories recognised as an expense	**336,876**	328,764
Depreciation of property, plant and equipment	**17,936**	19,244
Amortisation of intangible assets	**1,412**	1,521
Amortisation of prepaid lease payments	**381**	510
Auditor's remuneration	**420**	420
Research and development costs	**14,189**	11,713
Minimum lease payments under operating leases	**1,301**	1,314
Fair value loss on derivative financial instrument	**–**	27
Gain on disposal of property, plant and equipment	**(16)**	(1)
Exchange loss, net	**156**	758
Write-down of inventories	**2,496**	2,664
Fair value loss/(gain) on embedded derivative	**5,281**	(4,448)
Interest income	**(533)**	(415)
Mould income	**(778)**	(3,639)
Net income from sales of scrap materials	**(221)**	(318)
Royalty income	**(1,900)**	(3,391)
Subsidy income *(Note)*	**(1,318)**	(673)

Note:

Subsidy income represents local government subsidies paid to the Group based on the pre-determined level of expenditures spent on certain advanced technology projects by the Group during the year.

9. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as there is no assessable profits for the group entities operate in Hong Kong during the years ended 31 December 2009 and 2008.

With effect from 1 January 2008, the PRC Enterprise Income Tax ("EIT") rate for foreign-invested enterprises has been unified at 25%.

Suzhou Shangsheng Electrics Co., Ltd. enjoys a preferential EIT rate of 15% as it has been granted the status of an Advanced and New Technology Enterprise.

Suzhou Shangsheng Technology Co., Ltd ("Shangsheng Technology") and Suzhou Hesheng Industries Co., Ltd. ("Suzhou Hesheng") are entitled to full exemption from EIT for the years ended 31 December 2009 and 2008 to be followed by a 50% reduction for the next consecutive three years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. Suzhou Hesheng has been reporting tax loss since its establishment. Shangsheng Technology was having its first profit-making year for the year ended 31 December 2008.

No EIT is payable for Sonavox Acoustics Co., Ltd. since it was having tax loss for the year.

Taxation arising in other jurisdictions is calculated at the rates in the relevant jurisdictions.

The amount of taxation for the year in the consolidated statement of comprehensive income represents:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Current tax		
– PRC Enterprise Income Tax	**2,484**	–
– (Over)/under provision of EIT in prior years	**(1,455)**	490
Deferred tax		
– current year	**(82)**	541
– attributable to change of tax rate	**–**	518
Income tax expense	**947**	1,549

10. LOSSES PER SHARE

The calculation of the basic and diluted losses per share attributable to owners of the Company is based on the following data:

	2009		2008	
	Basic	**Diluted**	Basic (Restated)	Diluted (Restated)
Loss attributable to owners of the Company *(HK$'000)*	**(3,213)**	**(3,213)**	(14,420)	(14,420)
Weighted average number of ordinary shares, in thousand, for the purpose of losses per share	**325,090**	**335,090**	325,090	325,090
Losses per share *(HK cent)*	**(0.99)**	**(0.96)**	(4.44)	(4.44)

No dilutive effect for the year ended 31 December 2008 because the exercise price of the Company's share options was higher than the average market price for share in 2008.

11. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the years ended 31 December 2009 and 2008.

12. TRADE AND NOTE RECEIVABLES

	At 31 December		**At 1 January**
	2009	2008	2008
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Trade and note receivables			
– third parties	**155,569**	90,220	118,191
– related parties	**214**	710	172
	155,783	90,930	118,363
Less: Accumulated impairment losses	**(2,680)**	(2,571)	(3,389)
	153,103	88,359	114,974

The aging analysis of trade and note receivables, net of impairment, prepared based on delivery date is as follows:

	At 31 December		At 1 January
	2009	2008	2008
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Within 90 days	**134,584**	77,198	106,920
91 – 180 days	**16,617**	9,334	6,915
181 – 365 days	**1,329**	1,827	1,139
More than 365 days	**573**	–	–
	153,103	88,359	114,974

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An average credit period is generally for 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At 31 December 2009, an aging analysis of the Group's trade and note receivables, that are past due but not impaired at the end of reporting period are as follows:

	At 31 December		At 1 January
	2009	2008	2008
	HK$'000	*HK$'000*	*HK$'000*
91 – 180 days	**16,617**	9,334	6,915
181 – 365 days	**1,329**	1,827	1,139
More than 365 days	**573**	–	–
	18,519	11,161	8,054

The Group reviews customer credit limit regularly based on historical repayment record. Trade receivables that were neither past due nor impaired relate to a number of independent customers that have a good track record with the Group.

The below table reconciled the impairment loss of trade and note receivables for the year:

	At 31 December		At 1 January
	2009	2008	2008
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	**2,571**	3,389	3,214
Impairment loss recognised	**–**	178	175
Amounts written off as uncollectible	**–**	(996)	–
Translation adjustments	**109**	–	–
At 31 December	**2,680**	2,571	3,389

Included in the allowance for bad and doubtful debts are individually impaired trade receivables of approximately HK$2,680,000 (2008: HK$2,571,000). The Group does not hold any collateral over these balances. At 31 December 2009, the carrying amount of receivables, which have been pledged as security for the bank borrowings, is approximately HK$16,971,000 (2008: HK$13,592,000).

13. TRADE AND NOTE PAYABLES

	At 31 December		At 1 January
	2009	2008	2008
	HK$'000	*HK$'000*	*HK$'000*
Trade and note payables			
– third parties	**133,975**	84,887	101,216
– related parties	**4**	22	22
	133,979	84,909	101,238

In general, the credit terms granted by suppliers ranged from 30 to 90 days. An aging analysis of the Group's trade and note payables is as follows:

	At 31 December		At 1 January
	2009	2008	2008
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	**55,831**	21,624	51,944
31 – 90 days	**62,757**	35,716	41,180
91 – 180 days	**14,553**	24,781	7,324
181 – 365 days	**354**	1,667	504
More than 365 days	**484**	1,121	286
	133,979	84,909	101,238

14. SHARE CAPITAL

	Number of ordinary shares of *HK$0.01 each*	Nominal value *HK$'000*
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009	325,089,974	3,251

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The independent auditors' report of the Group's consolidated financial statements for the year ended 31 December 2009 contains a modified auditors' opinion:

"Without qualifying our opinion, we draw attention to note 4(b) to the consolidated financial statements which indicates that as at 31 December 2009, the Group's current liabilities exceeded its current assets by approximately HK$2,931,000. This condition, along with other matters as set forth in note 4(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern."

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, the Group continued to strengthen its performance of main streams line of business, including manufacturing and sale of quality and high performance loudspeaker systems to leading global automobiles and consumer electronics companies.

Though business environment remains competitive and challenging after global financial turmoil in 2008, the Group's performance has been improved since second quarter of 2009. As a result of economy recovery, there was a significant rebound of shipments to customers during the year under review. Total turnover of the Group was increased by 12% to approximately HK$434.8 million for the year ended 31 December 2009 (2008 (restated): HK$389.1 million).

The Group continued to maintain its leading loudspeaker manufacturer position in the China market. Chinese government has implemented a series of forceful measures to stimulate the economy and support automotive industry. According to statistics from the China Association of Automobile Manufacturers, vehicle sales in China amounted to 13 million units in 2009, which have exceeded that in the United States of America. China became the most important market of the Group, and sales of loudspeaker systems in China contributed 43% of the Group's turnover for year ended 31 December 2009 (2008: 39%).

Looking forward, the Directors believe the Group will be benefited from continuous establishment of business relationships with leading automakers around the world, including but not limited to Ford Motor Company, Volkswagen and Audi. The Directors are confident that with the Group's solid foundation, times of challenge bring opportunity for the Group to break away from competitors and take business to next level of market leadership in China automobile loudspeaker industry.

Financial Review

Sales of loudspeaker systems for automobiles was increased by 33% to approximately HK$354.2 million for year ended 31 December 2009 (2008 (restated): HK$265.6 million), which accounted for approximately 81% (2008: approximately 68%) of its total turnover. The Group recorded sales of approximately HK$80.6 million (2008: HK$123.5 million) from sales of loudspeaker systems for home theatre. Increase in overall sales by 12% was primarily attributable to recovery of automobile market and hence rebound of shipments to customers during the year.

The Group's performance was benefited from increase in production and steady raw material prices during the year under review. The gross profit margin ratio for the year ended 31 December 2009 was about 22.5%, while it was about 15.5% in the previous year. As a result of increase in gross profit ratio, the Group recorded profit before income tax of approximately HK$13.9 million for year ended 31 December 2009 (2008 (restated): loss of HK$19.2 million). The profit before income tax was arrived at after charging fair value loss on embedded derivative of approximately HK$5.3 million which was non-cash in nature for the year ended 31 December 2009 (2008: gain of HK$4.4 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

The Board is of the view that the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") to the Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2009, except that independent non-executive Directors had no set term of office but retire on a rotation basis.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code as defined in the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Mr. Fan Chi Fai, Paul, Mr. Yiu Chi Wah and Mr. Lee Fang Yu who are the independent non-executive Directors. The audit committee of the Company has reviewed and discussed the financial reporting matters including the annual results for the year ended 31 December 2009 with the management and the external auditors.

As at the date of this announcement, the Board comprises of two executive Directors, namely Mr. Yang Tsu Ying and Mr. Yang Ching Yau; and three independent non-executive Directors, namely Mr. Yiu Chi Wah, Mr. Fan Chi Fai, Paul and Mr. Lee Fang Yu.

By order of the Board
Yang Tsu Ying
Chairman

Hong Kong, 26 March 2010

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from its date of posting and on the Company's website at www.sonavox.com.hk.