



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 31ST DECEMBER 2008**

**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.

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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 audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2008, together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Turnover	4	392,305	422,204
Cost of goods sold		(329,293)	(353,702)
Gross profit		63,012	68,502
Other revenue	5	12,892	2,662
Fair value changes on embedded derivative financial instrument		4,448	33
Selling and marketing costs		(13,721)	(16,434)
Administrative expenses		(64,186)	(50,929)
Finance costs	7	(11,808)	(11,100)
Loss before taxation	8	(9,363)	(7,266)
Taxation	9	(1,549)	1,704
Loss for the year		<u>(10,912)</u>	<u>(5,562)</u>
Attributable to:			
Equity holders of the Company		(9,381)	(5,696)
Minority interests		(1,531)	134
		<u>(10,912)</u>	<u>(5,562)</u>
Loss per share	10		
– Basic		<u>(HK cent 2.89)</u>	<u>(HK cent 1.75)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>
Dividends	11	<u>–</u>	<u>–</u>

CONSOLIDATED BALANCE SHEET

As at 31st December 2008

	<i>Notes</i>	2008 HK\$'000	2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		191,547	167,147
Prepaid lease payments		15,946	12,356
Deferred tax assets		6,294	10,347
Intangible assets		15,746	21,532
Goodwill		4,966	6,316
		234,499	217,698
Current assets			
Inventories		57,470	53,730
Trade and note receivables	12	88,359	105,508
Prepayments, deposits and other receivables		9,542	11,490
Prepaid lease payments		380	293
Amount due from a minority shareholder of a subsidiary		3,500	246
Pledged bank deposits		6,109	–
Restricted bank balances		9,040	–
Cash and bank balances		12,760	25,190
Deferred tax assets		–	1,353
		187,160	197,810
Current liabilities			
Trade and note payables	13	84,909	101,238
Accruals and other payables		29,988	28,226
Amount due to ultimate holding company		5,604	–
Obligations under finance leases			
– due within one year		134	326
Bank borrowings – due within one year		91,136	76,262
Derivative financial instrument		27	–
Embedded derivative financial instrument		2,145	6,593
Tax payable		2,927	3,403
		216,870	216,048
Net current liabilities		(29,710)	(18,238)
Total assets less current liabilities		204,789	199,460

CONSOLIDATED BALANCE SHEET *(continued)*
As at 31st December 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital and reserves			
Share capital	14	3,251	3,251
Reserves		83,814	84,889
Equity attributable to equity holders of the Company		87,065	88,140
Minority interests		75,700	70,706
Total equity		162,765	158,846
Non-current liabilities			
Obligations under finance leases			
– due after one year		51	231
Deferred tax liabilities		2,504	1,892
Bank borrowings - due after one year		2,265	2,382
Convertible bonds		37,204	36,109
		42,024	40,614
		204,789	199,460

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Property revaluation reserve	Statutory reserves	Share-based payment reserve	Merger reserve	Cumulative translation adjustment reserve	Accumulated profits	Total	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2007	3,251	27,682	2,598	6,813	1,948	2,441	6,255	33,868	84,856	63,358
Transfer to statutory reserves	-	-	-	437	-	-	-	(437)	-	-
Translation adjustments	-	-	-	-	-	-	8,980	-	8,980	7,214
Net income/(expense) recognised directly in equity	-	-	-	437	-	-	8,980	(437)	8,980	7,214
(Loss)/profit for the year and total recognised income and expense for the year	-	-	-	-	-	-	-	(5,696)	(5,696)	134
At 31st December 2007 and 1st January 2008	3,251	27,682	2,598	7,250	1,948	2,441	15,235	27,735	88,140	70,706
Cancellation of share options previously granted	-	-	-	-	(325)	-	-	325	-	-
Surplus on revaluation of properties	-	-	9,936	-	-	-	-	-	9,936	8,251
Effect of change in tax rate	-	-	322	-	-	-	-	-	322	309
Deferred tax liabilities arising on revaluation of properties	-	-	(2,184)	-	-	-	-	-	(2,184)	(2,035)
Translation adjustments	-	-	-	-	-	-	232	-	232	-
Net income/(expense) recognised directly in equity	-	-	8,074	-	(325)	-	232	325	8,306	6,525
Loss for the year and total recognised income and expense for the year	-	-	-	-	-	-	-	(9,381)	(9,381)	(1,531)
At 31st December 2008	<u>3,251</u>	<u>27,682</u>	<u>10,672</u>	<u>7,250</u>	<u>1,623</u>	<u>2,441</u>	<u>15,467</u>	<u>18,679</u>	<u>87,065</u>	<u>75,700</u>
	<u>162,765</u>									

Notes:

1. GENERAL INFORMATION

The principal activities of the Group are the investment holding, manufacturing and sale of loudspeaker systems to customers in the People's Republic of China (the "PRC") and overseas markets.

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 since 19th July 2002.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Notwithstanding that the Group incurred loss attributable to equity holders of the Company of approximately HK\$9,381,000 for the year ended 31st December 2008 and had net current liabilities of approximately HK\$29,710,000 as at 31st December 2008, these consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the positive profits forecast will be generated from the Group's businesses based on the financial budgets approved by senior management covering five years.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these consolidated 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

Hong Kong Accounting Standard (“HKAS”) 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation (“Int”) 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adoption of these new and revised HKFRSs are as follows:

Amendments to HKAS 39 and HKFRS 7 – Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term if specified criteria are met. A debt instrument classified as held for trading not classified by designation or as available-for-sale not classified by designation may be reclassified as a loan or receivable if the asset meets the definition of a loan or receivable and the entity has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets that are not eligible for classification as loans and receivables, may be transferred from held for trading to available-for-sale or to held to maturity (in the case of debt instrument), only in rare circumstances.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above.

The amendments are effective from 1st July 2008. As the Group does not intend to reclassify any of its financial instruments, the amendments have had no impact on these consolidated financial statements.

HK(IFRIC) – INT 11 – HKFRS 2 – Group and Treasury Share Transactions

HK(IFRIC) – Int 11 requires arrangements whereby an employee is granted rights to the Group’s equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC) – Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no effect on these consolidated financial statements.

HK(IFRIC) – INT 12 – Service Concession Arrangements

HK(IFRIC) – Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. As the Group currently has no such arrangements, the interpretation has had no effect on these consolidated financial statements.

HK(IFRIC) – INT 14 – HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

HK(IFRIC) – Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group currently has no defined benefit scheme, the interpretation has had no effect on these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective at 31st December 2008.

HKFRSs (Amendments)	Improvement to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ³
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK (IFRIC)-Int 9 and HKAS 39	Embedded Derivatives ⁷
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁶

¹ Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009.

² Effective for annual periods beginning on or after 1st January 2009.

³ Effective for annual periods beginning on or after 1st July 2009.

⁴ Effective for annual periods beginning on or after 1st July 2008.

⁵ Effective for annual periods beginning on or after 1st October 2008.

⁶ Effective for transfers of assets from customers received on or after 1st July 2009.

⁷ Effective for annual periods ending on or after 30 June 2009.

HKAS 1 (Revised) – “Presentation of Financial Statements”

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. This revised standard also requires an entity to include three “statements of financial position” (currently called the “balance sheet”) whenever the entity applies an accounting policy retrospectively or makes a retrospective restatement, or when it makes a reclassification. The revised standard does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group expects to adopt HKAS 1 (Revised) on or after 1st January 2009.

HKAS 27 (Revised) – “Consolidated and Separate Financial Statements”

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 Cash Flows Statements, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rate, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

HKFRS 3 (Revised) – “Business Combinations”

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. These changes, include, but are not limited to (i) introducing an option to measure non-controlling interests (currently minority interests) at fair value; (ii) recognising gains or losses from remeasuring to the fair value the interest in the acquiree held by the entity immediately before the business combination, in a step acquisition; (iii) expensing acquisition costs as incurred; (iv) recognising the fair value of contingent considerations at the acquisition date with subsequent changes generally reflected in the consolidated income statement; and (v) separately accounting for pre-existing relationships between the acquirer and acquiree.

The Group expects to adopt HKAS 27 (Revised) and HKFRS 3 (Revised) on or after 1st January 2009. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The directors of the Company are not yet in a position to determine whether HKFRSs (Amendments), HKFRS 1 (Revised) and HKFRS 7 (Amendment) would have a significant impact on how the results and financial position of the Group are prepared and presented.

The directors of the Company are currently assessing the impact of the other new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the financial statements.

4. TURNOVER

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

5. OTHER REVENUE

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest income	415	159
Sales of scrap materials	318	664
Service fee income	645	1,407
Subsidy income (<i>Note</i>)	673	—
Net foreign exchange gain	6,478	—
Mould income	3,639	—
Gain on disposal of property, plant and equipment	1	—
Others	723	432
	<u>12,892</u>	<u>2,662</u>

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 ended 31st December 2008.

6. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Geographical segments information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

The Group is organised on a world wide basis with one business segment in Hong Kong, PRC, Japan, North America, European Union countries and other Asian countries. Accordingly, the directors of the Company consider there is one business segment and six geographical segments.

(a) Geographical segments

Year ended 31st December 2008							
	Hong Kong HK\$'000	PRC HK\$'000	Japan HK\$'000	North America HK\$'000	European Union countries HK\$'000	Other Asian countries HK\$'000	Total HK\$'000
Turnover	7,828	152,795	19,908	140,508	47,130	24,136	392,305
Segment results	<u>694</u>	<u>(3,929)</u>	<u>(531)</u>	<u>(4,369)</u>	<u>(1,397)</u>	<u>(915)</u>	<u>(10,447)</u>
Other revenue							12,892
Finance costs							(11,808)
Loss before taxation							(9,363)
Taxation							(1,549)
Loss for the year							<u>(10,912)</u>

As at 31st December 2008							
	Hong Kong HK\$'000	PRC HK\$'000	Japan HK\$'000	North America HK\$'000	European Union countries HK\$'000	Other Asian countries HK\$'000	Total HK\$'000
Segment assets	5,818	331,318	-	46,093	727	-	383,956
Unallocated assets							37,703
Total assets							<u>421,659</u>
Segment liabilities	901	102,129	-	11,894	-	-	114,924
Unallocated liabilities							143,970
Total liabilities							<u>258,894</u>
Other information							
Capital expenditure	-	20,533	-	77	-	-	20,610
Depreciation and amortisation	164	17,904	-	3,177	30	-	21,275
Fair value changes on derivative financial instrument	-	27	-	-	-	-	27
Allowance for inventories	-	2,664	-	-	-	-	2,664
Allowance for bad and doubtful debts	<u>-</u>	<u>-</u>	<u>-</u>	<u>178</u>	<u>-</u>	<u>-</u>	<u>178</u>

Year ended 31st December 2007

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Japan <i>HK\$'000</i>	North America <i>HK\$'000</i>	European Union countries <i>HK\$'000</i>	Other Asian countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	8,280	153,180	18,953	177,484	32,447	31,860	422,204
Segment results	<u>(3,416)</u>	<u>2,427</u>	<u>320</u>	<u>1,469</u>	<u>340</u>	<u>32</u>	1,172
Other revenue							2,662
Finance costs							<u>(11,100)</u>
Loss before taxation							(7,266)
Taxation							<u>1,704</u>
Loss for the year							<u><u>(5,562)</u></u>

As at 31st December 2007

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Japan <i>HK\$'000</i>	North America <i>HK\$'000</i>	European Union countries <i>HK\$'000</i>	Other Asian countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	10,724	301,336	–	67,443	222	–	379,725
Unallocated assets							<u>35,783</u>
Total assets							<u><u>415,508</u></u>
Segment liabilities	1,013	114,860	–	13,591	–	–	129,464
Unallocated liabilities							<u>127,198</u>
Total liabilities							<u><u>256,662</u></u>
Other information							
Capital expenditure	–	39,294	–	3,456	–	–	42,750
Depreciation and amortisation	164	22,495	–	2,579	–	–	25,238
Allowance for bad and doubtful debts	–	175	–	–	–	–	175
Loss on disposal of property, plant and equipment	<u>–</u>	<u>3,819</u>	<u>–</u>	<u>252</u>	<u>–</u>	<u>–</u>	<u><u>4,071</u></u>

(b) Business segments

The Group has been operating in a single business segment that is manufacture and sales of loudspeaker systems.

7. FINANCE COSTS

	2008	2007
	HK\$'000	HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	7,252	6,628
Mortgage loan repayable over 5 years	72	109
Finance lease	37	43
Effective interest expense on convertible bonds	4,447	4,320
	11,808	11,100

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	2008	2007
	HK\$'000	HK\$'000
Depreciation on property, plant and equipment	19,244	23,445
Amortisation on intangible assets	1,521	1,510
Amortisation on prepaid lease payments	510	283
Employee benefit expense	77,050	68,662
Changes in inventories of finished goods and work in progress	5,327	6,824
Raw materials and consumables used	316,250	291,086
Allowance for inventories (included in cost of goods sold)	2,664	–
Auditors' remuneration	420	521
Research and development costs	11,713	12,142
Allowance for bad and doubtful debts	178	175
Fair value change on derivative financial instrument	27	–
(Gain)/loss on disposal of property, plant and equipment	(1)	4,071
Net foreign exchange (gain)/loss	(6,478)	4,186

9. TAXATION

No provision for Hong Kong profits tax has been made as there is no assessable profit for the Group operating in Hong Kong during the years ended 31st December 2008 and 2007.

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

On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from year of assessment 2008/2009.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate (“EIT”) of the Group’s subsidiaries in the PRC was reduced from 27% to 25% from 1st January 2008 onwards. The relevant tax rate for the Group’s subsidiaries in the PRC is 25% (2007: 27%). For the year ended 31st December 2007, Suzhou Shangsheng Electrics Co. Ltd. (“Shangsheng Electrics”), Suzhou Sonavox Acoustics Co. Ltd. (“Sonavox Acoustics”), Suzhou Shangsheng Technology Co. Ltd. (“Shangsheng Technology”) and Suzhou Hesheng Industrial Co., Ltd. (“Suzhou Hesheng”), being foreign investment enterprises established in the Coastal Open Economic Region of Suzhou, Mainland China, were subject to preferential enterprise income tax (“EIT”) rate of 27%, representing 24% state EIT rate and 3% local EIT rate.

Shangsheng Technology and Suzhou Hesheng are entitled to full exemption from EIT for two years starting from its first profit-making year 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. Sonavox Acoustics, Shangsheng Technology and Suzhou Hesheng have been reporting tax loss since its establishment.

No EIT is payable on the profit for the year of Sonavox Acoustics since the assessable profit is wholly absorbed by tax losses brought forward.

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

	2008 <i>HK\$’000</i>	2007 <i>HK\$’000</i>
Current taxation		
– PRC enterprise income tax	–	316
Under provision of PRC enterprise income tax in prior years	490	1,372
Deferred taxation		
– Current year	541	(3,392)
– Attributable to change of tax rate	518	–
	1,549	(1,704)

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Loss attributable to equity holders of the Company (HK\$'000)	<u>(9,381)</u>	<u>(5,696)</u>
Weighted average number of ordinary shares in issue ('000)	<u>325,090</u>	<u>325,090</u>
Basic loss per share (HK cent per share)	<u>(2.89)</u>	<u>(1.75)</u>

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as the dilutive potential ordinary shares. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

In addition, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share from operations.

	2008	2007
Loss attributable to equity holders of the Company (HK\$'000)	<u>(9,381)</u>	<u>(5,696)</u>
Weighted average number of ordinary shares in issue ('000)	<u>325,090</u>	<u>325,090</u>
Effect of dilutive potential ordinary shares ('000)	<u>—</u>	<u>495</u>
Weighted average number of ordinary shares for diluted loss per share ('000)	<u>325,090</u>	<u>325,585</u>
Diluted loss per share (HK cent per share)	<u>N/A</u>	<u>N/A</u>

No diluted loss per share has been presented because the exercise price of the Company's 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 31st December 2008 and 2007.

12. TRADE AND NOTE RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade and note receivables		
– third parties	90,220	108,725
– related parties	710	172
	90,930	108,897
Less: Allowance for doubtful debts	(2,571)	(3,389)
	88,359	105,508

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 31st December 2008, an aged analysis of the Group's trade and note receivables net of allowance for bad and doubtful debts at the reporting date was as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	39,460	64,217
31 – 60 days	22,282	23,148
61 – 90 days	15,456	10,089
91 – 180 days	9,334	6,915
181 – 360 days	1,827	1,139
	88,359	105,508

Before accepting any new customer, the Group uses an internally credit assessment policy to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Most of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by Group.

Included in the Group's trade and note receivables are debtors with aggregate carrying amount of approximately HK\$11,161,000 (2007: HK\$8,054,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 120 days (2007: 94 days).

Ageing of trade and note receivables which are past due but not impaired are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
91 – 180 days	9,334	6,915
181 – 360 days	1,827	1,139
	11,161	8,054

Movement in the allowance for bad and doubtful debts

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Balance at beginning of the year	3,389	3,214
Impairment loss recognised	178	175
Amounts written off as uncollectible	(996)	–
Balance at end of the year	2,571	3,389

Included in the allowance for bad and doubtful debts are individually impaired trade receivables of approximately HK\$2,571,000 (2007: HK\$3,389,000) which have in severe financial difficulties. The Group does not hold any collateral over these balances.

At 31st December 2008, the carrying amount of receivables, which have been pledged as security for the bank borrowings, is approximately HK\$13,592,000 (2007: HK\$20,948,000). The carrying amount of the associated liability is approximately HK\$4,338,000 (2007: HK\$9,269,000).

13. TRADE AND NOTE PAYABLES

An aged analysis of the Group's trade and note payables was as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	21,624	51,944
31 – 60 days	19,427	23,538
61 – 90 days	16,289	17,642
91 – 180 days	24,781	7,324
181 – 360 days	1,667	504
Over 360 days	1,121	286
	84,909	101,238

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value HK\$'000
Authorised:		
At 1st January 2007, 31st December 2007 and 31st December 2008	20,000,000,000	200,000
Issued and fully paid:		
At 1st January 2007, 31st December 2007 and 31st December 2008	325,089,974	3,251

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

The independent auditors' report of the Group's consolidated financial statements for the year ended 31st December 2008 contains a modified auditors' opinion:

“Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group had net current liabilities of approximately HK\$29,710,000 as at 31st December 2008. The Group had incurred loss attributable to equity holders of the Company for the year ended 31st December 2008 amounted to approximately HK\$9,381,000. These conditions indicated the existence of a material uncertainty which may cast doubt about the Group's ability to continue as 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.

Amid downturns of US and European markets, the business environment remains competitive and challenging. However, the Group has been benefited from establishing business relationships with new customers in overseas market, such as Audi. The Group also continued to maintain its leading loudspeaker manufacturer position in the China market with customers such as Shanghai Volkswagen and DongFeng Peugeot Citroen Automobile. Sales of loudspeaker systems for automobiles was increased by 3.1% to approximately HK\$268.8 million for the year ended 31st December 2008 (2007: approximately HK\$260.6 million), which accounted for approximately 69% (2007: approximately 62%) of its total turnover.

During the year under review, the Group recorded sales of approximately HK\$123.5 million (2007: HK\$161.6 million) from sales of loudspeaker systems for home theatre. The decrease was mainly attributable to cessation of non-profitable businesses with some customers. Gross profit ratio of sales of loudspeaker systems for home theatre was improved and increased to about 14.8% (2007: 10.8%) for the year.

The world has been hit by a financial crisis, and the Group cannot be immune to that. The Group was well prepared to face the coming challenges. Based on experience and establishments of the past, the management team of the Group has high level of commitment to achieve ambitious targets in the coming years.

Financial Review

For the year ended 31st December 2008, the Group kept its steady performance, and achieved a turnover of approximately of HK\$392.3 million (2007: HK\$422.2 million). The gross profit margin ratio for the year ended 31st December 2008 was about 16.1%, while it was about 16.2% in the previous year.

The Group recorded loss before income tax of approximately HK\$9.4 million for the year ended 31st December 2008 (2007: loss of approximately HK\$7.3 million). Increase in the Group's total expenses was mainly attributable to commencement of operations of subsidiaries in China and Germany in 2007. Finance costs increased by 6.4% from approximately HK\$11.1 million in last year to HK\$11.8 million in this year, as a result of additional bank loans obtained in China for production capabilities expansion during the year under review.

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 31st December 2008, 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 31st December 2008 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, 25th March 2009

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.