



中昊科技集團有限公司

Sunrise (China) Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8226

## Green Energy towards Sustainable Development

INTERIM REPORT 2015



**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 higher 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 report, for which the directors (the “Directors”) of Sunrise (China) Technology Group 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 the information contained in this report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2015, together with the comparative figures as follows:

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)**

*For the six months ended 30 June 2015*

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue		2,841	4,180	31,629	7,048
Cost of sales		(2,811)	(3,601)	(31,441)	(6,328)
Gross profit		30	579	188	720
Other income and gains		68	115	1,041	115
Gain on disposal of subsidiaries		–	–	–	50,943
Selling and distribution expenses		(1)	(7)	(1)	(143)
Administrative expenses		(9,551)	(2,688)	(16,710)	(5,543)
Other operating expenses		(25,463)	–	(26,480)	(1)
Finance costs	3	(3,066)	(1,373)	(6,875)	(2,376)
(Loss)/profit before tax	4	(37,983)	(3,374)	(48,837)	43,715
Income tax	5	5	(3)	11	(3)
<b>(Loss)/profit for the period</b>		<b>(37,978)</b>	<b>(3,377)</b>	<b>(48,826)</b>	<b>43,712</b>
Other comprehensive expense					
Exchange differences on translating foreign operations		(146)	(15)	(45)	(1,005)
<b>Other comprehensive expense for the period</b>		<b>(146)</b>	<b>(15)</b>	<b>(45)</b>	<b>(1,005)</b>
<b>Total comprehensive (expense)/income for the period</b>		<b>(38,124)</b>	<b>(3,392)</b>	<b>(48,871)</b>	<b>42,707</b>

	For the three months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(Loss)/profit for the period attributable to:</b>				
Owners of the Company	(22,737)	(3,499)	(32,909)	43,785
Non-controlling interests	(15,241)	122	(15,917)	(73)
	<u>(37,978)</u>	<u>(3,377)</u>	<u>(48,826)</u>	<u>43,712</u>
<b>Total comprehensive (expense)/income for the period attributable to:</b>				
Owners of the Company	(22,851)	(3,500)	(32,882)	42,994
Non-controlling interests	(15,273)	108	(15,989)	(287)
	<u>(38,124)</u>	<u>(3,392)</u>	<u>(48,871)</u>	<u>42,707</u>
<b>(Loss)/earnings per share</b>				
– Basic ( <i>in cents</i> )	<u>(4.39)</u>	<u>(0.81)</u>	<u>(6.35)</u>	<u>10.14</u>
– Diluted ( <i>in cents</i> )	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>10.14</u>

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**Condensed Consolidated Statement of Financial Position (Unaudited)***As at 30 June 2015*

		As at	
		30 June 2015	31 December 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		21,004	46,601
Prepaid land lease payments		5,986	6,048
		<u>26,990</u>	<u>52,649</u>
<b>Current assets</b>			
Inventories		28,880	27,694
Trade receivables	8	7,132	51,395
Prepayments, deposits and other receivables		51,833	14,890
Bank balances and cash		2,259	966
		<u>90,104</u>	<u>94,945</u>
<b>Current liabilities</b>			
Trade payables	9	14,001	27,392
Other payables and accruals		11,794	9,103
Corporate bonds payable		11,892	11,347
Other borrowings		15,000	15,000
Amounts due to noteholder	10	23,173	24,138
Amount due to a director		–	189
Tax payable		5,000	5,059
		<u>80,860</u>	<u>92,228</u>
<b>Net current assets</b>		<u>9,244</u>	<u>2,717</u>
<b>Total assets less current liabilities</b>		<u>36,234</u>	<u>55,366</u>

		As at	
		30 June 2015	31 December 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Corporate bonds payable		13,056	12,667
Other borrowings		9,120	9,112
Unlisted warrants		2,064	2,064
Deferred tax liabilities		914	924
		<u>25,154</u>	<u>24,767</u>
<b>Net assets</b>		<u><b>11,080</b></u>	<u><b>30,599</b></u>
<b>Capital and reserves</b>			
Share capital	11	5,181	4,318
Reserves		<u>36,587</u>	<u>41,018</u>
Equity attributable to owners of the Company		41,768	45,336
Non-controlling interests		<u>(30,688)</u>	<u>(14,737)</u>
<b>Total equity</b>		<u><b>11,080</b></u>	<u><b>30,599</b></u>

**Condensed Consolidated Statement of Changes in Equity (Unaudited)***For the six months ended 30 June 2015*

	Share capital	Share premium account	Statutory reserves	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	(Note) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	4,318	165,417	815	22,149	2,573	(132,759)	62,513	28,366	90,879
Total comprehensive (expense)/income for the period	-	-	-	-	(791)	43,785	42,994	(287)	42,707
Increase in non-controlling interest arising on disposal of subsidiaries	-	-	-	-	-	-	-	10	10
Transfer to retained earnings	-	-	(815)	-	-	815	-	-	-
At 30 June 2014	<u>4,318</u>	<u>165,417</u>	<u>-</u>	<u>22,149</u>	<u>1,782</u>	<u>(88,159)</u>	<u>105,507</u>	<u>28,089</u>	<u>133,596</u>
At 1 January 2015	4,318	165,417	-	22,149	2,091	(148,639)	45,336	(14,737)	30,599
Total comprehensive income/(expense) for the period	-	-	-	-	27	(32,909)	(32,882)	(15,989)	(48,871)
Issue of shares on placements	863	28,451	-	-	-	-	29,314	-	29,314
Share option forfeited	-	-	-	(14,739)	-	14,739	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	38	38
At 30 June 2015	<u>5,181</u>	<u>193,868</u>	<u>-</u>	<u>7,410</u>	<u>2,118</u>	<u>(166,809)</u>	<u>41,768</u>	<u>(30,688)</u>	<u>11,080</u>

*Notes:***Statutory reserves**

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

**Condensed Consolidated Statement of Cash Flows (Unaudited)***For the six months ended 30 June 2015*

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(19,259)</b>	(22,542)
Net cash (used in)/from investing activities	<b>(3,175)</b>	50,981
Net cash from/(used in) financing activities	<b>23,527</b>	(27,781)
Net increase in cash and cash equivalents	<b>1,093</b>	658
Cash and cash equivalents at beginning of the period	<b>966</b>	543
Effect of exchange rate changes	<b>200</b>	(1,066)
Cash and cash equivalents at end of the period	<b>2,259</b>	135
Analysis of the balances of cash and cash equivalents at end of the period:		
Bank balances and cash	<b>2,259</b>	135

## Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands, and the issued shares of which are listed on GEM of the Stock Exchange.

The Company is principally engaged in investment holding. The principal activities of the Company's principal subsidiaries are set out as follow:

- Manufacture and sales of straw briquettes
- Trading of commodities
- Trading of garment accessories
- Manufacturing and trading of LED digital display products (commencing in the third quarter of this year)

The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is the same as the functional currency of the Company.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

The accounting policies and method of computation used in preparing the financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2014.

The Group has adopted certain new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") that are effective for the current accounting period. The adoption of the new/revised HKFRSs has no material impact on the Group's financial statements.

The Group has not early adopted the new/revised HKFRSs, that have been issued but are yet effective, and are potentially relevant to the Group's financial statements.

The condensed financial statements are unaudited but have been reviewed by the audit committee of the Company.

**3. FINANCE COSTS**

	For the three months ended 30 June		For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Interest on:				
– Corporate bonds payable	470	–	935	–
– Other borrowings	1,009	–	1,934	–
– Amount due to noteholder	1,587	1,373	4,006	2,376
	<u>3,066</u>	<u>1,373</u>	<u>6,875</u>	<u>2,376</u>

**4. (LOSS)/PROFIT BEFORE TAX**

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	For the three months ended 30 June		For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Depreciation of property, plant and equipment	2,953	658	5,905	1,319
Amortisation of prepaid land lease payments	34	33	68	67
Exchange (gains)/losses, net	(12)	(116)	79	(115)
Rental charges on land and buildings under operating leases	475	455	950	910
Impairment loss recognised in respect of:				
– Property, plant and equipment	22,636	–	22,636	–
– Trade receivables	2,231	–	2,231	–
– Other receivables	665	–	665	–
	<u>22,636</u>	<u>–</u>	<u>22,636</u>	<u>–</u>

**5. INCOME TAX**

	For the three months ended 30 June		For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax				
– PRC Enterprise Income Tax	–	–	–	–
– Deferred tax	(5)	3	(11)	3
Total tax (credit)/charge for the period	<u>(5)</u>	<u>3</u>	<u>(11)</u>	<u>3</u>

No provision for Hong Kong profits tax has been made for both of the periods presented as the Group did not generate any assessable profits arising in Hong Kong during those periods.

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at 25% for both of the periods presented. A PRC subsidiary was registered as a Hi-New Technology Enterprise by the relevant government authority in the PRC and is subjected to the PRC corporate tax at the rate of 15%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

## 6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	For the three months ended 30 June		For the six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>(Loss)/earnings</b>				
(Loss)/earnings for the purposes of calculating basic (loss)/earnings per share	<u>(22,737)</u>	<u>(3,499)</u>	<u>(32,909)</u>	<u>43,785</u>
Earnings for the purposes of calculating diluted earnings per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>43,785</u>
	<i>Number of shares '000</i>	<i>Number of shares '000</i>	<i>Number of shares '000</i>	<i>Number of shares '000</i>
<b>Number of shares</b>				
Number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u>518,117</u>	<u>431,765</u>	<u>518,117</u>	<u>431,765</u>

Diluted loss per share for the three months ended 30 June 2014 and 2015 and for the six months ended 30 June 2015 is not presented because the Group sustained a loss each of these periods and the impact of exercise of share options and unlisted warrants, if any, is regarded as anti-dilutive.

## 7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: HK\$Nil).

**8. TRADE RECEIVABLES**

	As at	
	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Trade receivables	53,992	95,982
Less: Impairment loss recognised	<b>(46,860)</b>	<b>(44,587)</b>
	<b><u>7,132</u></b>	<b><u>51,395</u></b>

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

	As at	
	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Within 90 days	2,428	38,260
91 – 180 days	3,298	152
181 – 365 days	1,406	3,977
More than 365 days	–	9,006
	<b><u>7,132</u></b>	<b><u>51,395</u></b>

**9. TRADE PAYABLES**

In general, the credit terms granted by suppliers ranged from 30 to 180 days. An aging analysis of the Group's trade payables is as follows:

	As at	
	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Within 30 days	444	–
31 – 90 days	2,086	1,271
91 – 180 days	3,130	–
181 – 365 days	1,043	2,680
More than 365 days	7,298	23,441
	<b><u>14,001</u></b>	<b><u>27,392</u></b>

**10. AMOUNT DUE TO NOTEHOLDER**

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Unsecured amount due to noteholder	<u>23,173</u>	<u>24,138</u>

At the request of the noteholder, the Company redeemed all of the 12% convertible redeemable notes on 9 October 2013. The Company entered into certain agreements with the noteholder, under which the repayment of the outstanding payable was further extended to 30 August 2015. Subsequent to the end of the reporting period, the outstanding payable was fully settled on 17 July 2015.

**11. SHARE CAPITAL**

	As at		As at	
	30 June 2015 '000	31 December 2014 '000	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<u>20,000,000</u>	<u>20,000,000</u>	<u>200,000</u>	<u>200,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each	<u>518,117</u>	<u>431,765</u>	<u>5,181</u>	<u>4,318</u>

**12. CAPITAL COMMITMENTS**

As at 31 December 2014 and 30 June 2015, the Group did not have any significant capital commitments.

**13. RELATED PARTY TRANSACTIONS**

During the period, the Group did not have any transactions with related parties.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Manufacture and Sales of Straw Briquettes

Shengyan was incorporated in the PRC in July 2010 with a registered capital of RMB30 million and is principally engaged in the production and sales of straw fuel briquettes, which is a type of biofuels and a substitute for coal in the northeast region of the PRC. The Group completed the acquisition of its 51% interest in Shengyan in December 2012. The business model of Shengyan is briefly summarised as follows:

- Straw collection – purchase, collect and strap raw straw from farmers and transport to the warehouses for storage;
- Straw grinding – the straw collected is then crushed and ground into fine powder through crushing equipments;
- Straw briquetting – the straw powder is then put into the briquetting press machines from where it is compressed and processed into straw fuel briquettes are made; and
- Sales of finished products – upon receiving sales orders, the straw fuel briquettes are then sold to customers.

The customers of Shengyan mainly consist of companies located at Heilongjiang Province in the PRC, who engage in agriculture and manufacturing, and purchase the straw fuel briquettes for different usage such as heat generation. Revenue of Heilongjiang Shengyan is mainly derived from the sales of straw fuel briquettes through sales orders from customers Shengyan purchases raw straw directly from various local farmers in the Baiquan County of Heilongjiang Province.

During the period, Shengyan faced significant challenges in the market demand of its straw fuel briquettes due to the increase in coal consumption as coal price dropped sharply during the year 2014 and 2015. Revenue generated from Shengyan dropped to the lowest level of RMB6,912. In view of Shengyan's adverse business condition, an impairment loss of approximately HK\$25.5 million on plant and equipment, trade and other receivable was recorded. Management shall continue to monitor Shengyan Business closely, should the condition continues and deteriorate, management may consider changing the Group's business focus by developing other business and segments.

#### Trading of Natural Resources and Commodities

The Group's natural resources and commodities business segment has commenced operation in the fourth quarter of 2014. During the period, a total of 4,850 metric tonnes (2014: 5,750 metric tonnes) of crude palm oil was traded, contributing an aggregate revenue of approximately HK\$25.3 million (2014: HK\$30.2 million) to the Group. The Group's trading in crude palm oil is carried out on a trade-by-trade basis.

Given that the Group was new to the commodities trading business, the Board thus expects a relatively thin profit margin. However, the underlying importance is to widen the Group's business network in the area of commodities trading. The Group will negotiate with suppliers and customers in order to achieve better trading terms in the upcoming trades.

### **Trading of Garments Accessories**

This new operation, which commenced in the first quarter of this year, is currently developing moderately. It has contributed approximately HK\$6.3 million to the Group's revenue in the first half of the year. As the Group is actively looking for new customers, the Group expects that it will achieve better growth in the coming third quarter.

### **Manufacturing and Trading of LED Digital Display Products**

LED digital display products are widely applied in TV advertising screen and display screens of control system of a variety of electric appliances. This new operation, which is set to commence in the third quarter of this year, is expected to bring a stable income for the Group starting from the fourth quarter of this year.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2015, the turnover of the Group was increased to approximately HK\$31.6 million (2014: 7.0 million). The growth was driven by the Group's engagement in the trading business of (i) natural resources and commodities and (ii) garment accessories, which contributed to HK\$25.3 million and HK\$6.3 million of revenue respectively, whereas none of such revenue was recorded in the same period of last year.

The Group disposed Shengyi's segment during the first quarter of 2014, the aggregate consideration was HK\$51.0 million. After deducting the net asset value, the Group generated a gain of approximately HK\$50.9 million from the disposal.

The Group has commenced its environmental related businesses since 2012. Following the disposal of Shengyi, Shengyan is the remaining business. Revenue generated from Shengyan decreased to an immaterial level for the six months ended 30 June 2015. During the period, the Shengyan's segment recorded a substantial loss of approximately HK\$32.1 million due to the additional provision for impairment of plant and equipment, trade and other receivables.

During the fourth quarter of the last year, the Group has commenced the trading of natural resources and commodities business. Revenue generated from the trading of crude palm oil was HK\$25.3 million for the six months ended 30 June 2015. Although the profit margin from this business was thin, there was a positive contribution of HK\$0.1 million being recorded from the trade.

The Group recorded a net loss of approximately HK\$48.8 million, compared with a net loss of approximately HK\$7.2 million (excluding the gain of HK\$50.9 million from the disposal of Shengyi as mentioned above) for the same period of last year. Such loss was mainly attributable to the provision for impairment on Shengyan's plant and equipment, trade and other receivables of approximately HK\$25.5 million, the legal and professional fees of HK\$3.9 million and the finance costs of HK\$4.0 million paid to the noteholder.

### **Looking Ahead**

In recent years, there have been different levels of environmental issues exposed in various regions of the PRC, continuously boosting public awareness of environmental protection throughout the country and making the Chinese government strive towards integrated management enhancement of pollution prevention, energy conservation and emission reduction at the enterprise level. Benefited from the enormous support given by the government towards environmental related industry, the environmental sector is filled with promising development opportunities and clear, direct guidelines, which further fortified the Group's objective to develop the environmental related industry.

In 2015, the Group will continue to strengthen its existing business, proactively explore new business scope and continuously seek other suitable investment opportunities.

Furthermore, the Group will continue to control risks strictly, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

### **Liquidity, Financial Resources and Capital Structure**

For the period under review, the Group's major business operations took place in China and Hong Kong, and financed mainly by the cash revenue generated from operating activities and by corporate borrowings. As at 30 June 2015, the Group had a cash and bank balance of approximately HK\$2.3 million (31 December 2014: HK\$1.0 million).

As at 30 June 2015, the Group's total indebtedness comprised of the amount due to noteholder of approximately HK\$23.2 million (31 December 2014: HK\$24.1 million), corporate bonds of approximately HK\$24.9 million (31 December 2014: HK\$24.0 million) and other borrowings of approximately HK\$24.1 million (31 December 2014: HK\$24.1 million).

As at 30 June 2015, the Group's outstanding number of issued shares of HK\$0.01 each was 518,116,974 shares (31 December 2014: 431,764,974 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 30 June 2015 was 66.1% (31 December 2014: 70.3%).

### **Significant Investments and Future Plans for Material Investments**

Save as disclosed in the sections headed "Business Review" and "Looking Ahead", during the six months ended 30 June 2015, the Group did not make any significant investments or future plans for material investments.

### **Material Acquisitions and Disposals**

Save as disclosed in the sections headed "Business Review" and "Looking Ahead", during the six months ended 30 June 2015, the Group did not have any material acquisitions or disposals which would be required to be disclosed under the GEM Listing Rules.

### **Employees and Remuneration Policy**

As at 30 June 2015, the Group had about 25 (2014: 35) employees. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$3.5 million (2014: HK\$2.5 million).

The Group believes that its staff is one of the Group's most important assets. Aiming at providing competitive salary packages, the Group adjusts employees' salary level in close association with the performance, qualifications and experience of individual staff as well as labour market conditions. In addition to the regular remuneration, discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The Group is also committed to providing appropriate on-going training to staff members to equip them for future career development.

### **Pledge on Assets**

As at 31 December 2014 and 30 June 2015, included in the inventories are finished goods with a carrying amount of approximately HK\$27.3 million which have been pledged as security for the other borrowings granted to the Group. Apart from that, the Group did not have any substantial pledge of assets.

### **Contingent Liabilities**

Except as disclosed in the section headed "Legal Proceedings", as at 31 December 2014 and 30 June 2015, the Group did not have any material contingent liabilities.

### **Legal Proceedings**

Reference is made to the Company's announcement dated 25 July 2014 in relation to the writ of summons received by the Company. It was alleged in the Writ that a total sum of HK\$10.0 million was advanced by Total Shares Limited (the "Plaintiff") to the former executive Director, the chairman of the Board and the chief executive officer, Mr. Shan Xiaochang ("Mr. Shan") pursuant to a loan agreement (the "Loan Agreement") dated 9 August 2013 made between the Plaintiff as the lender and Mr. Shan as the borrower, the repayment of which was guaranteed by the Company as a guarantor by a guarantee (the "Guarantee") signed by the Company in favour of the Plaintiff dated 9 August 2013. The amount of the claim specified in the Writ was HK\$10.0 million plus the accrued unpaid interest under the Loan Agreement and other interest.

As no meeting at the Board or shareholders of the Company was held to approve the Guarantee or authorise any Director to sign the Guarantee for and on behalf of the Company, the Board is of the view that the Guarantee is not binding on or enforceable against the Company and the Claim has no merit against the Company. The Company will vigorously dispute the allegations under the Writ and is in the process of seeking independent legal advice.

### **Exposure to Fluctuations in Exchange Rates and Related Hedges**

During the period under review, the Group's transactions were mainly denominated in Renminbi and Hong Kong dollars which exposed the Group to currency risk. The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

None of the Directors nor chief executives of the Company had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2015.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

### Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Percentage of issued share capital of the Company	
				Total	
Hua R Sheng Technology Company Limited	Beneficial owner	60,000,000	-	60,000,000	11.58%

#### Note:

The entire issued share capital of Hua R Sheng Technology Company Limited was solely and beneficially owned by Mr. Yan Qiyu.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 June 2015.

## SHARE OPTIONS

The Company operates a share option scheme for the purpose of enabling the Company to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. Eligible participants include any employees, directors, consultants or professional advisors, shareholders and suppliers or customers of the Group.

The share option scheme effective on 8 July 2002 (the “2002 Share Option Scheme”) was terminated and a new share option scheme (the “New Share Option Scheme”) was adopted and became effective for a period of 10 years commencing from 15 June 2012. Shares options granted prior to the expiry of the 2002 Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the 2002 Share Option Scheme. As at 30 June 2015, the Company had 21,200,000 (31 December 2014: 56,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 4.1% (31 December 2014: 13.0%) of its issued share capital on that date. No share option was granted under the New Share Option Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company. As at 30 June 2015, the number of securities available for issue under the New Share Option Scheme was 43,176,497 shares, which represented approximately 8.3% (31 December 2014: 10%) of its issued share capital on that date.

The maximum number of share issued and which may fall to be issued upon exercise of the share options granted under the share option scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share option granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders’ approval in general meeting of the Company.

The offer of a grant of share option under the share option scheme may be accepted, upon payment of a nominal consideration of HK\$1 in total by the grantee. A share option granted under the share option scheme may be exercised in whole or in part in the manner provided in the share option scheme by a grantee giving notice in writing to the Company at any time during a period not exceed 10 years from the date an share option granted under the share option scheme is offered.

The exercise price of the share options is a price determined by the Board, in its absolute discretion, but in any case is not less than whichever is the highest of (1) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant, which must be a trading day; (2) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (3) the nominal value of the Shares.

The following table discloses movements in the Company's share options during the period:

Name or category of participant	Exercisable period	Exercise price per share of the Company HK\$	Outstanding at 1 January 2015	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2015
Former Director Mr. Shan Xiaochang	20 October 2011 to 1 September 2021	0.962	35,000,000	-	-	(35,000,000)	-
Others In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	-	-	-	21,200,000
			<u>56,200,000</u>	<u>-</u>	<u>-</u>	<u>(35,000,000)</u>	<u>21,200,000</u>

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the period were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the placements and Placing Shares as disclosed in the announcements of the Company dated 14 January 2015 and 30 January 2015, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2015.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and required standard of dealings and its code of conduct regarding security transactions by the Directors throughout the six months ended 30 June 2015.

## CORPORATE GOVERNANCE PRACTICES AND PROCEDURES

The Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2015, except for the following deviations:

### Code Provision E.1.2

The code provision stipulated that the chairman of the Board should attend the annual general meeting of the Company.

Mr. Shan Xiaochang has tendered his resignation as an executive Director, the chairman of the Board, the chief executive officer and other positions in the Company with effective from 25 March 2015. Mr. Ma Arthur On-hing, an executive Director, presided as the chairman at the annual general meeting of the Company held on 8 May 2015 in accordance with the articles of association of the Company.

The Board is in the process of identifying a suitable candidate to assume the positions of the Chairman and the Chief Executive Officer. Further announcement will be made upon confirmation of the appointments.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code on Corporate Governance Practice 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 exclusively of independent non-executive Directors.

The Group's unaudited results for the six months ended 30 June 2015 have been reviewed by the audit committee, which was of the opinion that such financial statements complied with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board  
**Sunrise (China) Technology Group Limited**  
**Ma Arthur On-hing**  
*Executive Director*

Hong Kong, 14 August 2015

*As at the date of this report, the Board comprises eight Directors namely Mr. Ma Arthur On-hing, Mr. Shan Biao, Mr. Mui Wai Sum and Ms. Kwan Kar Ching, being the executive Directors, Mr. Chen Wai Chung Edmund, being the non-executive Director and Mr. Ho Chun Kit Gregory, Mr. Ho Wai Shing and Mr. Hung Cho Sing, being the independent non-executive Directors.*

*This report 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.sunrisechina-tech.com".*