



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

FIRST QUARTERLY REPORT 2015



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

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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 GEM (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 condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2015, together with the comparative figures as follows:

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

For the three months ended 31 March 2015

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Revenue		28,788	2,868
Cost of sales		(28,630)	(2,727)
Gross profit		158	141
Other income and gains		973	–
Gain on disposal of subsidiaries		–	50,943
Selling and distribution expenses		–	(136)
Administrative expenses		(7,159)	(2,855)
Other operating expenses		(1,017)	(1)
Finance costs		(3,809)	(1,003)
(Loss)/profit before tax		(10,854)	47,089
Income tax	3	6	–
(Loss)/profit for the period		(10,848)	47,089
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
– Exchange differences arising during the period		101	(990)
Other comprehensive income/(expense) for the period		101	(990)
Total comprehensive (expense)/income for the period		(10,747)	46,099

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
(Loss)/profit for the period attributable to:			
Owners of the Company		(10,172)	47,284
Non-controlling interests		(676)	(195)
		(10,848)	47,089
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(10,031)	46,494
Non-controlling interests		(716)	(395)
		(10,747)	46,099
(Loss)/earnings per share			
Basic	4	HK(1.96) cents	HK10.95 cents
Diluted		N/A	HK10.95 cents

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended 31 March 2015

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Share premium account	Statutory reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses			
	HKS'000	HKS'000	HKS'000 (Note)	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 January 2014	4,318	165,417	815	22,149	2,573	(132,759)	62,513	28,366	90,879
Total comprehensive income/expense for the period	-	-	-	-	(790)	47,284	46,494	(395)	46,099
Increase in non-controlling interests arising on disposal of subsidiaries	-	-	-	-	-	-	-	9	9
Transfer to retained earnings on disposal of a subsidiary	-	-	(815)	-	-	815	-	-	-
At 31 March 2014	<u>4,318</u>	<u>165,417</u>	<u>-</u>	<u>22,149</u>	<u>1,783</u>	<u>(84,660)</u>	<u>109,007</u>	<u>27,980</u>	<u>136,987</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	-	-	-	-	141	(10,172)	(10,031)	(716)	(10,747)
Issue of shares on placements	863	28,451	-	-	-	-	29,314	-	29,314
Share options forfeited	-	-	-	(14,739)	-	14,739	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	38	38
At 31 March 2015	<u>5,181</u>	<u>193,868</u>	<u>-</u>	<u>7,410</u>	<u>2,232</u>	<u>(144,072)</u>	<u>64,619</u>	<u>(15,415)</u>	<u>49,204</u>

Note:

Statutory reserve

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.

Notes to Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 31 March 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

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that 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 condensed financial statements are unaudited but have been reviewed by the audit committee of the Company.

3. INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Deferred tax credit	(6)	-
Total tax credit for the period	<u>(6)</u>	<u>-</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.

4. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share	<u>(10,172)</u>	<u>47,284</u>
Earnings for the purpose of diluted earnings per share	<u>N/A</u>	<u>47,284</u>
Number of shares		
	<i>Number of shares '000</i>	<i>Number of shares '000</i>
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>518,117</u>	<u>431,765</u>

Diluted loss per share for the three months ended 31 March 2015 is not presented because the Group sustained a loss for the period and the impact of exercise of share options and unlisted warrants, if any, is regarded as anti-dilutive.

5. DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the three months ended 31 March 2015 (2014: Nil).

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, which engage in agricultural and manufacturing industries 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 and Shengyan purchases raw straw directly from many different local farmers in the Baiquan County of Heilongjiang Province.

During the period, Shengyan faced significant challenges in its straw fuel briquettes' demand due to the growth of coal consumption as coal price dropped sharply during the year 2014 and 2015. Revenue generated from Shengyan dropped to a lowest level of RMB5,354. Management shall continue to closely monitor Shengyan Business and shall change the focus to the development of other businesses and segments if the market condition continues to deteriorate.

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 this quarter, 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 field 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, has contributed approximately HK\$3.5 million to the Group's revenue. As the first quarter of each year is normally considered as off-season in the industry, the Group expects that its growth will pick up in the coming second and third quarters.

Manufacturing and Trading of LED Digital Display Products

This new operation, which is expected to be commenced in the second quarter of this year, shall further diversify the Group's businesses and income sources. LED digital display products are widely applied in TV advertising screen and display screens of control system for a variety of electric appliances.

FINANCIAL REVIEW

For the three months ended 31 March 2015, the Group's consolidated revenue increased to approximately HK\$28.8 million (2014: HK\$2.9 million). The growth was driven by the Group's engagement in the (i) trading of natural resources and commodities business and the (ii) trading of garment accessories business, which contributed to HK\$25.3 million and HK\$3.5 million of revenue in this quarter whereas none of such revenue was recorded in the same period of last year.

The Group disposed of 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 recorded net loss of approximately HK\$10.8 million, compared with a net loss of approximately HK\$3.8 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 legal and professional fees of HK\$2.8 million and the finance costs of HK\$2.4 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 to strive for 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, further fortified the Group's objective to develop the environmental related industry.

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

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

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\$10,000,000 was advanced by Total Shares Limited (the "Plaintiff") to Mr. Shan Xiaochang ("Mr. Shan"), the former Board Chairman and Chief Executive Officer, 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\$10,000,000 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.

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 31 March 2015.

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

As at 31 March 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 is wholly 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 31 March 2015.

SHARE OPTIONS

The Company operates a share option scheme for the purpose of to enable 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 became 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 at the annual general meeting held on 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. 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. As at 31 March 2015, the Company had 21,200,000 (31 March 2014: 56,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 4.1% (31 March 2014: 13.0%) of its issued share capital on that date. No share option were granted under the New Share Option Scheme.

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 31 March 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
			56,200,000	-	-	(35,000,000)	21,200,000

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

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

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 Mr. Ho Chun Kit Gregory, Mr. Ng Chi Ho Dennis and Mr. Ho Wai Shing who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31 March 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, 15 May 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. Ng Chi Ho Dennis and Mr. Ho Wai Shing, being the independent non-executive Directors.