



中晟科技集團有限公司

Sunrise (China) Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8226

Green Energy
towards **Sustainable Development**



FIRST QUARTERLY REPORT 2013

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

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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 condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2013, together with the comparative figures as follows:

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended 31 March 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
REVENUE		162,907	202,459
Cost of sales		(116,601)	(157,132)
Gross profit		46,306	45,327
Other income and gains		26,319	9,936
Selling and distribution expenses		(12,630)	(5,070)
Administrative expenses		(27,499)	(31,876)
Other operating expenses		(4,559)	(5,448)
Finance costs		(4,944)	(5,546)
Fair value gains on derivative financial instruments		–	14,737
PROFIT BEFORE TAX		22,993	22,060
Income tax	3	(6,698)	(3,390)
PROFIT FOR THE PERIOD		16,295	18,670
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		4,315	1,515
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		4,315	1,515
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		20,610	20,185

SUNRISE (CHINA) TECHNOLOGY GROUP LIMITED

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company		6,412	12,381
Non-controlling interests		9,883	6,289
		<u>16,295</u>	<u>18,670</u>
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the Company		9,395	13,119
Non-controlling interests		11,215	7,066
		<u>20,610</u>	<u>20,185</u>
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS			
OF THE COMPANY			
– Basic (in cents)	4	<u>1.48</u>	<u>2.87</u>
– Diluted (in cents)	4	<u>1.48</u>	<u>2.86</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the three months ended 31 March 2013

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium account HK\$'000	Property revaluation reserve HK\$'000	Statutory reserves HK\$'000 (Note (a))	Share option reserve HK\$'000	Merger reserve HK\$'000 (Note (b))	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2012	4,318	165,417	11,293	11,891	25,830	2,441	20,335	(113,419)	128,106	153,397	281,503
Total comprehensive income for the period	-	-	-	-	-	-	738	12,381	13,119	7,066	20,185
Share option lapsed	-	-	-	-	(955)	-	-	955	-	-	-
At 31 March 2012	<u>4,318</u>	<u>165,417</u>	<u>11,293</u>	<u>11,891</u>	<u>24,875</u>	<u>2,441</u>	<u>21,073</u>	<u>(100,083)</u>	<u>141,225</u>	<u>160,463</u>	<u>301,688</u>
At 1 January 2013	4,318	165,417	11,293	12,828	24,572	2,441	23,309	(116,069)	128,109	172,945	301,054
Total comprehensive income for the period	-	-	-	-	-	-	2,983	6,412	9,395	11,215	20,610
Transfer of reserves	-	-	-	11,763	-	-	-	(13,420)	(1,657)	-	(1,657)
At 31 March 2013	<u>4,318</u>	<u>165,417</u>	<u>11,293</u>	<u>24,591</u>	<u>24,572</u>	<u>2,441</u>	<u>26,292</u>	<u>(123,077)</u>	<u>135,847</u>	<u>184,160</u>	<u>320,007</u>

Notes:

(a) Statutory reserves

Pursuant to the articles of association of the group entities in 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 the PRC. Such appropriations to reserves would be made only with approval from the board of directors of those group entities.

(b) Merger reserve

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

Notes to Condensed Consolidated Financial Statement (Unaudited)

For the three months ended 31 March 2013

1. GENERAL INFORMATION

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

During the period, the Group was involved in the following principal activities:

- environmental protection related businesses
- manufacturing and sales of loudspeaker systems
- investment properties for rental income
- investment holding

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Zhongyu Group Holdings Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These 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. They have been prepared under the historical cost convention, except for investment properties, buildings and certain of derivative financial instruments, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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 2012.

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

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the three months ended 31 March 2013. These consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest of the subsidiary even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

3. INCOME TAX

No provision for Hong Kong profits tax has been made during the period as the Group did not generate any assessable profits arising in Hong Kong (2012: Nil).

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

One of the Company's subsidiaries in Mainland China was registered as a Hi-New technology Enterprise with the relevant government authority in the PRC and is subjected to the PRC corporate tax at the rate of 15%.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax		
– PRC Enterprise Income Tax		
Charge for the year	7,378	3,273
(Overprovision)/underprovision in prior years	(680)	117
	<u>6,698</u>	<u>3,390</u>
Total tax charge for the period	6,698	3,390

4. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<u>Earnings</u>		
Earnings for the purposes of calculating basic and diluted earnings per share	6,412	12,381
<u>Number of shares</u>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	431,765	431,765
Effect of dilutive potential ordinary shares in respect of:		
– Share options	–	853
Weighted average number of ordinary shares for the purposes of diluted earnings per share	431,765	432,618

No adjustment has been made to the basic earnings per share amounts presented for the three months ended 31 March 2013 and 2012 in respect of a dilution as the impact of the unlisted warrants and convertible loan notes during these periods had either no dilutive effect or an anti-dilutive effect on the basic earnings per share amounts presented.

5. DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the three months ended 31 March 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Heilongjiang Province Shengyan New Energy Development Limited (“Shengyan”)

Shengyan was incorporated in the PRC in July 2010 with a registered capital of RMB30 million and is principally engaged in the production and sale of straw fuel briquettes, which is a type of biofuels and a substitute for coal in the northeast region of the PRC. Shengyan has one main plant and 30 sub-plants located at the Baiquan County of Heilongjiang Province and a production capacity of approximately 200,000 tonnes per year. Since established in 2010, Shengyan has developed into a sizeable corporation with healthy operation, and it has received the subsidy of 2011 granted by Ministry of Finance of the State Council in relation to the straw integrated utilization project with a total amount of RMB 18.81 million (equivalent to approximately HK\$23.2 million) recognised in February 2013. According to the website of the Ministry of Finance of the PRC publishing the list of companies who had been granted straw energy utilization subsidy, Shengyan is the largest straw utilization manufacturer in Heilongjiang Province in terms of annual sales in 2011. Besides the subsidy income, during the first quarter of this year, Shengyan has recorded a sales income of approximately HK\$19.3 million and a gross profit of approximately HK\$6.8 million.

Jiangsu Shengyi Environmental Technology Company Limited (“Shengyi”)

Shengyi is principally engaged in the provision of technological desulphurization service, which can effectively reduce sulfur dioxide and hydrogen sulfide emissions generated from burning of fossil fuels such as coal, natural gas and oil products. During the period under review, there are six outstanding uncompleted orders on hand not yet recognized, with total contract sum of approximately RMB113.6 million (approximately HK\$140.1 million) which is expected to be received by installments before 2015, and Shengyi is actively seeking other feasible opportunities to enter into new contracts with its potential clients. Because of the heavy air pollution in north of the PRC, the Company expects that the PRC government will issue new regulations related with waste gas emission, and such action may obviously enlarge the market demands of the desulphurization industry. Thus, although Shengyi has not recorded any increase of the income and profit during the first quarter of 2013, the Company expects that the development of such industry will have a rapid growth.

Sonavox

During the first quarter of 2013, the manufacturing and sales of loudspeaker business (“Sonavox”) has recorded the revenue of HK\$143.6 million (2012: HK\$189.5 million) and the gross profit of HK\$39.6 million (2012: HK\$42.1 million), which are 24.2% and 5.9% less than those of the corresponding period of last year respectively.

Reference is made to the announcement of the Company dated 9 May 2013 in relation to the Very Substantial Disposal and Connected Transaction. On 2 May 2013 (after trading hours of the Stock Exchange), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to dispose of the Sale Shares and the Sale Loan of Taraki. Inc and its subsidiaries (the “Disposal Group”) to the Purchaser and the Purchaser conditionally agreed to acquire the Sale Shares and the Sale Loan from the Company at an aggregate consideration of HK\$122,000,000.

Financial Review

During the period under review, the Group recorded a decrease in turnover of 19.6% to approximately HK\$162.9 million (2012: HK\$202.5 million). The reduction is mainly caused by the significant decrease of the loudspeaker business because of the slow recovery of global automobile market. Revenue generated from such business amounted to HK\$143.6 million (2012: HK\$189.5 million) for the three months ended 31 March 2013. Benefited from the policies issued by the PRC government which have positive effects on environmental protection industries, the environmental related businesses of the Group continue to record a healthy and fast growth during the first quarter of 2013. Revenue generated from such businesses amounted to HK\$19.3 million (2012: HK\$13.0 million) for the three months ended 31 March 2013.

As a result of increase in the sales of straw briquettes products, the Group's gross profit ratio increased to 28.4% (2012: 22.4%) and the Group recorded a net profit of approximately HK\$16.3 million (2012: HK\$18.7 million).

Prospects

The PRC government announced in 2011 to support the development of the environmental related industries during China's 12th Five-Year Plan (2011-2015). With heightened environmental concerns among the PRC government and its citizens, the relevant PRC authorities have promulgated policies with a view to encourage the development of environmental protection related industry. Benefited from the enormous support given by the PRC government towards environmental protection related industry, the Directors are of the view that there are enormous growth opportunities for the environmental protection related businesses of the Group in the future.

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

As at 31 March 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of Ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Mr. Shan Xiaochang	Interest of a controlled corporation	239,556,536 (Note 1)	–	239,556,536	55.48%
	Beneficial owner	–	35,000,000 (Note 2)	35,000,000	8.11%
		<u>239,556,536</u>	<u>35,000,000</u>	<u>274,556,536</u>	<u>63.59%</u>

Notes:

- These shares are held by Zhongyu Group Holdings Limited. The entire issued share capital of Zhongyu Group Holdings Limited is beneficially owned by Mr. Shan Xiaochang, the Chairman, the Chief Executive Officer and the executive Director, who is therefore deemed to be interested in the shares held by Zhongyu Group Holdings Limited.
- Total number of shares to be allotted and issued upon exercise in full of options under share option scheme adopted by the Company on 8 July 2002. These share options were conditionally granted to Mr. Shan Xiaochang, the Chairman, the Chief Executive Officer and the executive Director on 2 September 2011. Such grants were approved by independent shareholders of the Company at the extraordinary general meeting of the Company on 20 October 2011.

Save as disclosed above, 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 2013.

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

As at 31 March 2013, 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	Total	Percentage of issued share capital of the Company
Zhongyu Group Holdings Limited (Note 1)	Beneficial owner	239,556,536	–	239,556,536	55.48%
Mr. Shan Xiaochang (Note 1)	Interest of a controlled corporation	239,556,536	–	239,556,536	55.48%
	Beneficial owner	–	35,000,000 (Note 2)	35,000,000	8.11%
		239,556,536	35,000,000	274,556,536	63.59%
Ms. Wu Shuhua (Note 3)	Interest of spouse	239,556,536	35,000,000	274,556,536	63.59%
Mr. Chan Ping Yee	Beneficial owner	73,675,000	–	73,675,000	17.06%
Ms. Liu Sau Wan (Note 4)	Interest of spouse	73,675,000	–	73,675,000	17.06%
Concept Capital Management Limited	Beneficial owner	–	146,163,814 (Note 5)	146,163,814	33.85%

Notes:

- The entire issued share capital of Zhongyu Group Holdings Limited was solely and beneficially owned by Mr. Shan Xiaochang, the Chairman and the Chief Executive Officer and the executive Director, who is therefore deemed to be interested in the shares held by Zhongyu Group Holdings Limited.
- Total number of shares to be allotted and issued upon exercise in full of options under share scheme adopted by the Company on 8 July 2002. These share options were conditionally granted for Mr. Shan Xiaochang, the Chairman, the Chief Executive Officer and the executive Director on 2 September 2011. Such grants were approved by independent shareholders of the Company at the extraordinary general meeting of the Company on 20 October 2011.
- Ms. Wu Shuhua is the spouse of Mr. Shan Xiaochang and, under section 316 of the SFO, is therefore deemed to be interested in all 274,556,536 shares in which Mr. Shan Xiaochang is interested.

4. Ms. Liu Sau Wan is the spouse of Mr. Chan Ping Yee and, under section 316 of the SFO, is therefore deemed to be interested in all 73,675,000 shares in which Mr. Chan Ping Yee is interested.
5. The latest disclosure of interest notice filed by Concept Capital Management Limited has not taken into account the reset adjustment to the conversion and exercise prices on 9 May 2012.

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 2013.

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 2013, the Company had 60,200,000 (31 March 2012: 60,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 13.9% (31 March 2012: 13.9%) 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 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 March 2013
Directors							
Mr. Shan Xiaochang	20 October 2011 to 1 September 2021	0.962	35,000,000	-	-	-	35,000,000
Employees (other than Directors)							
In aggregate	2 September 2011 to 1 September 2021	0.962	4,000,000	-	-	-	4,000,000
			4,000,000	-	-	-	4,000,000
Others							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	-	-	-	21,200,000
			60,200,000	-	-	-	60,200,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the year 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. Wang Jialian, Mr. Wang Zhihua and Ms. Chan Sze Man who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31 March 2013 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
Shan Xiaochang
Chairman

Hong Kong, 14 May 2013

As at the date of this report, the Board comprises of three executive Directors, namely Mr. Shan Xiaochang, Ms. Shan Zhuojun and Mr. Ma Arthur On-hing and three independent non-executive Directors, namely Mr. Wang Jialian, Mr. Wang Zhihua and Ms. Chan Sze Man.