



中星科技集團有限公司

Sunrise (China) Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8226

First Quarterly
Report

2011

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 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 Sunrise (China) Technology Group Limited (formerly known as Sonavox International Holdings Limited) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2011, together with the comparative figures as follows:

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months ended 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000 (Restated)
Continuing operations			
Turnover	3	158,262	120,813
Cost of sales		(119,675)	(92,356)
Gross profit		38,587	28,457
Other revenue, gains and losses		3,830	492
Selling and marketing costs		(5,360)	(3,701)
Administrative expenses		(23,667)	(12,788)
Finance costs		(1,241)	(1,001)
Profit before income tax expense		12,149	11,459
Income tax expense	4	(2,368)	(2,144)
Profit for the period from continuing operations		9,781	9,315
Discontinued operations			
Loss for the period from discontinued operations	5	–	(2,329)
Profit for the period		9,781	6,986
Other comprehensive income			
– exchange differences on translating foreign operations		3,027	1,093
Other comprehensive income for the period, net of tax		3,027	1,093
Total comprehensive income for the period		12,808	8,079
Profit attributable to:			
– owners of the Company		2,135	1,977
– non-controlling interests		7,646	5,009
		9,781	6,986
Total comprehensive income attributable to:			
– owners of the Company		4,790	3,224
– non-controlling interests		8,018	4,855
		12,808	8,079
Earnings per share from continuing and discontinued operations (HK cents)			
– basic and diluted	6	0.51	0.61
Earnings per share from continuing operations (HK cents)			
– basic and diluted	6	0.51	1.32



Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the three months ended 31 March 2011

	Share capital	Share premium	Property revaluation reserve	Statutory reserves	Share-based payment reserve	Merger reserve	Cumulative translation adjustment	Retained earnings/ (accumulated losses)	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	(Note (a)) HK\$'000	HK\$'000	(Note (b)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	3,251	27,682	11,680	6,812	1,623	2,441	14,179	14,827	82,495	98,817	181,312
Total comprehensive income for the period	-	-	-	-	-	-	1,247	1,977	3,224	4,855	8,079
Proposed dividend	-	-	-	-	-	-	-	-	-	(5,899)	(5,899)
At 31 March 2010	3,251	27,682	11,680	6,812	1,623	2,441	15,426	16,804	85,719	97,773	183,492
At 1 January 2011	4,220	155,563	11,293	7,576	11,185	2,441	17,420	(58,528)	151,170	127,108	278,278
Total comprehensive income for the period	-	-	-	-	-	-	2,655	2,135	4,790	8,018	12,808
Transfer of reserves	-	-	-	1,200	-	-	-	(1,440)	(240)	(231)	(471)
At 31 March 2011	4,220	155,563	11,293	8,776	11,185	2,441	20,075	(57,833)	155,720	134,895	290,615

Notes:

(a) Statutory reserves

Pursuant to the articles of association of the group entities in the People's Republic of China (the "PRC"), appropriations are made from the 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:

1. GENERAL INFORMATION

The principal activities of the Company and the Group are investment holding and manufacturing and sale of loudspeaker systems to customers in the PRC and overseas markets respectively.

Pursuant to a special resolution passed on 4 January 2011 and approved by the Registrar of Companies in the Cayman Islands, the name of the Company was changed from Sonavox International Holdings Limited (上聲國際控股有限公司) to Sunrise (China) Technology Group Limited (中昱科技集團有限公司).

The Company is a limited liability company incorporated in the Cayman Islands. The Directors regard Zhongyu Group Holdings Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

The shares of the Company have been listed on the GEM of the Stock Exchange since 19 July 2002.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) 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 financial statements have been prepared under the historical cost basis except for land and buildings and investment properties, which are measured at revalued amounts or fair values, as appropriate.

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 2010 except as described below.

The Group has adopted certain new/revised HKFRSs issued by the HKICPA that are effective for the current accounting period. The adoption of the new/revised HKFRSs has no significant impact on the Group’s financial statements.

The Group has not early adopted the new/revised HKFRS, 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. TURNOVER

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

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>158,262</u>	<u>120,813</u>	<u>-</u>	<u>14,190</u>	<u>158,262</u>	<u>135,003</u>

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as there is no assessable profits for the group entities operate in Hong Kong during the three months ended 31 March 2011.

With effect from 1 January 2008, the PRC Enterprise Income Tax ("EIT") rate is 25%, subject to preferential tax treatments.

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

Suzhou Shangsheng Technology Co., Ltd., Suzhou Sonavox Acoustics Co., Ltd. and Suzhou Hesheng Industrial Co., Ltd. are entitled to a 50% reduction in EIT for the three months ended 31 March 2011 in accordance with the transitional preferential policies of the EIT law applicable to foreign investment enterprises in the PRC.

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

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

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax						
– PRC Enterprise Income Tax	<u>2,368</u>	<u>2,144</u>	<u>-</u>	<u>-</u>	<u>2,368</u>	<u>2,144</u>
Deferred tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>2,368</u>	<u>2,144</u>	<u>-</u>	<u>-</u>	<u>2,368</u>	<u>2,144</u>



5. DISCONTINUED OPERATIONS

On 12 July 2010, the Company entered into conditional sale and purchase agreements with Newwood Consultancy Limited (“Newwood”), whereby the Company agreed to sell and Newwood agreed to purchase the entire equity interests held by the Company in Indigo Enterprises Inc. and its subsidiary, Sonavox Canada Inc. (collectively referred to as the “Indigo Group”) and Taraki Services Company Limited (“Taraki Services”) for considerations of HK\$43,753,000 satisfied by cash of HK\$25,000,000 and a waiver of payable due to Newwood of HK\$18,753,000 for the Indigo Group and HK\$8,000,000 for Taraki Services respectively.

The Indigo Group is based in the North America and is principally engaged in manufacturing and sale of loudspeaker systems in the North American, European and Asian markets. The disposal and cessation of the loss making Indigo Group is aimed to spare more resources for other business operations of the Group.

On 25 August 2010, the transactions were completed and the Group retained no interest in the Indigo Group and Taraki Services following the disposals.

The disposal of the Indigo Group constitutes a discontinued operation under HKFRS 5 - “Non-current Assets Held for Sale and Discontinued Operations” and the financial information of the Indigo Group is disclosed as follows:

Analysis of the results of discontinued operations

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
Turnover	3	-	14,190
Cost of sales		-	(10,693)
Gross profit		-	3,497
Other revenue, gains and losses		-	(33)
Selling and marketing costs		-	(524)
Administrative expenses		-	(3,892)
Finance costs		-	(1,377)
Loss before income tax expense		-	(2,329)
Income tax expense	4	-	-
Loss for the period from discontinued operations		-	(2,329)



6. EARNINGS PER SHARE

Continuing and discontinued operations

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>2,135</u>	<u>1,977</u>
Number of shares	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share	<u>421,965</u>	<u>325,090</u>

Continuing operations

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share	<u>2,135</u>	<u>4,306</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share for continuing and discontinued operations.

Discontinued operations

For the three months ended 31 March 2010, basic loss per share for the discontinued operations is 0.71 HK cent per share and diluted loss per share for the discontinued operations is 0.71 HK cent per share, based on the loss for the period from the discontinued operations of HK\$2,319,000 and the denominators detailed above for both basic and diluted loss per share.

7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).



BUSINESS REVIEW AND PROSPECTS

Financial Review

During the period under review, businesses of the Group continued to record healthy growth in its sales and gross profit ratio. Sales of loudspeaker systems from continuing operations increased by 31.0% to approximately HK\$158.3 million for the three months ended 31 March 2011 (2010: HK\$120.8 million). The increase in overall sales is primarily attributable to the continual growth of the automobile market. Sales of loudspeaker systems for automobiles increased by 32.5% to approximately HK\$156.4 million (2010: HK\$118.0 million), while sales of loudspeakers systems for home theatres decreased by 32.1% to approximately HK\$1.9 million (2010: HK\$2.8 million).

Improving performance of the Group was also marked by an increase in the gross profit ratio from continuing operations to 24.4% for the three months ended 31 March 2011, from 23.6% in the corresponding period last year. The margin expansion was a result of increased sales and prudent cost control amidst volatility in raw material costs.

In August 2010, the Group disposed of the Indigo Group, in efforts to streamline its operations and improve operational efficiency. The Indigo Group is primarily engaged in the provision of design, development and marketing of home and automobile audio products in the North American, European and Asian markets. The Indigo Group has been loss-making for the previous years, and incurred a net loss of approximately HK\$2.3 million for the three months ended 31 March 2010.

As a result of increase in the sales and gross profit ratio during the period under review, and the disposal of the loss-making Indigo Group in 2010, the Group recorded net profit of approximately HK\$9.8 million for the three months ended 31 March 2011 (2010: HK\$7.0 million).

Business Review

During the period under review, the Group continued to strengthen its core business and streamline group operations in the manufacturing and sale of quality and high performance loudspeaker systems to consumer electronics companies and leading global automobiles, including Ford Motor Company, Volkswagen and Audi.

On the back of improving economic conditions and global consumer appetite, the Group recorded an improvement in turnover of 31.0% from continuing operations to approximately HK\$158.3 million for the three months ended 31 March 2011 (2010: HK\$120.8 million).

Mainland China and Europe are the major markets for the Group's turnover, contributing to 35% and 48% respectively of the Group's turnover from continuing operations for the three months ended 31 March 2011 (2010: 52% and 26% respectively). The Group has secured a position as a leading loudspeaker manufacturer in China with its steadfast business relationships with leading automobile players.



In light of the increasingly sanguine market conditions for environmental protection industry and the Company's strategy to seek sustainable business opportunities, in January 2011, the Company announced acquisitions of Confident Echo Holdings Limited and its subsidiaries (the "Shengyi Environmental Group") and Time Pro International Company Limited ("Time Pro"), two groups of companies respectively engaged in environmental protection businesses in China and Thailand. The Shengyi Environmental Group excels in the areas of desulphurisation, which are of particular emphasis for toxin-emitting industries, such as coal chemical processing. The Company would use Time Pro to conduct negotiations with regards to investments in certain head generation projects in Thailand. The Group expects that the completion and consolidation of the two groups will strengthen and diversify the Group's revenue base, and provide synergistic benefits to the long term development of the Group in China and Thailand.

Prospects

Riding on the rapidly recuperating global economy and improving sentiment in consumer spending, the Group is positive on the prospects of the loudspeaker business and the environmental protection business.

The Board believes that the environmental protection sector carries immense growth potential and it is sanguine about the future prospects of the businesses and that the businesses will be value accretive to the Group. It is anticipated that with the insight and experience of the Shenyi Environmental Group and Time Pro, the Group will be able to build a dedicated platform in environmental protection in the Asia Pacific and emerge as a key player.

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

As at 31 March 2011, 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	Percentage of issued share capital of the Company	
				Total	
Mr. Shan Xiaochang	Interest of a controlled corporation	239,556,536	-	239,556,536	56.77%

Note: 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 of the Company, who is therefore deemed to be interested in the shares held by Zhongyu Group Holdings Limited.



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 2011.

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

As at 31 March 2011, 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	56.77%
Mr. Shan Xiaochang (Note 1)	Interest of a controlled corporation	239,556,536	–	239,556,536	56.77%
Ms. Wu Shuhua (Note 2)	Interest of spouse	239,556,536	–	239,556,536	56.77%
Mr. Chan Ping Yee	Beneficial owner	73,675,000	–	73,675,000	17.46%
Ms. Liu Sau Wan (Note 3)	Interest of spouse	73,675,000	–	73,675,000	17.46%

Notes:

1. 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 of the Company, who is therefore deemed to be interested in the shares held by Zhongyu Group Holdings Limited.
2. 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 239,556,536 shares in which Mr. Shan Xiaochang is interested.
3. 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.

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 2011.



SHARE OPTIONS

The Group adopted a share option scheme which became effective on 8 July 2002. Under which, share options are granted to any employees, consultants or professional advisors, and suppliers or customers of the Group. 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 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 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 March 2011
(a) Directors	-	-	-	-	-	-	-
(b) Others in aggregate	25 November 2010 to 24 November 2020	0.666	32,000,000	-	-	-	32,000,000
			<u>32,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,000,000</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.

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.



DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Yang Ching Yau, executive Director, is engaged in the business of manufacturing and trading of various types of loudspeakers through Sonavox Electronics (Suzhou Industrial Park) Company Limited, Sonavox Electronics Inc., Sonavox Electronics Limited, Fortune Win Limited, Asian Elite International Company Limited and their respective subsidiaries and associated companies (collectively known as the "Private Group"). As the business of the Group is overlapping with that of the Private Group to the extent that the Private Group is engaged in the manufacture and sale of loudspeakers for automotive aftermarket, Mr. Yang Ching Yau and the Private Group have entered into the deed of undertaking on 15 July 2002 with the Company pursuant to which Mr. Yang Ching Yau and the Private Group have given to the Group certain non-compete and referral of business opportunities undertakings.

Save as disclosed above, 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.

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. Lee Kam Fan Andrew, Mr. Wang Jialian and Mr. Wang Zhihua who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31 March 2011 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
Shan Xiaochang
Chairman

Hong Kong, 11 May 2011

As at the date of this report, the Board comprises of four executive Directors, namely Mr. Shan Xiaochang, Ms. Shan Zhuojun, Mr. Ma Arthur On-hing and Mr. Yang Ching Yau; and three independent non-executive Directors, namely Mr. Lee Kam Fan Andrew, Mr. Wang Jialian and Mr. Wang Zhihua.

