



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 **2017**

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 2017, 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 2017

| | Notes | 2017 HK\$'000 | 2016 HK\$'000 |
|---|-------|------------------|------------------|
| Revenue | 3 | 3,891 | 31,499 |
| Cost of sales and services | | (906) | (31,266) |
| Gross profit | | 2,985 | 233 |
| Other income and gains | 3 | 523 | 12,298 |
| Selling and distribution expenses | | (365) | (27) |
| Administrative expenses | | (8,358) | (7,083) |
| Other operating expenses | 4 | (9,918) | (18,567) |
| Finance costs | | (1,436) | (1,946) |
| Share of loss of associates | | — | (41) |
| Loss before taxation | | (16,569) | (15,133) |
| Taxation | 5 | — | — |
| Loss for the period | | (16,569) | (15,133) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | | |
| — Exchange differences arising during the period | | 32 | 54 |
| Other comprehensive income for the period | | 32 | 54 |
| Total comprehensive expense for the period | | (16,537) | (15,079) |

| | Notes | 2017 HK\$'000 | 2016 HK\$'000 |
|---|-------|-----------------------|------------------|
| Loss for the period attributable to: | | | |
| Owners of the Company | | (16,113) | (14,679) |
| Non-controlling interests | | (456) | (454) |
| | | (16,569) | (15,133) |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | (16,097) | (14,651) |
| Non-controlling interests | | (440) | (428) |
| | | (16,537) | (15,079) |
| Loss per share | 6 | | |
| Basic | | HK(0.81) cents | HK(1.29) cents |
| Diluted | | N/A | N/A |

Condensed Consolidated Statement of Changes in Equity (Unaudited)*For the three months ended 31 March 2017*

| | Attributable to owners of the Company | | | | | | Total | Non-controlling interests | Total equity |
|---|---------------------------------------|-----------------------|---------------------------|----------------------|------------------------------|--------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium account | Convertible bonds reserve | Share option reserve | Exchange fluctuation reserve | Accumulated losses | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2016 | 11,375 | 378,871 | 74,286 | 7,410 | 1,123 | (368,090) | 104,975 | (45,466) | 59,509 |
| Total comprehensive income/(expense) for the period | — | — | — | — | 28 | (14,679) | (14,651) | (428) | (15,079) |
| Increase in non-controlling interests arising on disposal of subsidiaries | — | — | — | — | — | — | — | 8,336 | 8,336 |
| Transfer to retained earnings on disposal of a subsidiary | — | — | — | — | (1,288) | (34,029) | (35,317) | 35,317 | — |
| At 31 March 2016 | 11,375 | 378,871 | 74,286 | 7,410 | (137) | (416,798) | 55,007 | (2,241) | 52,766 |
| At 1 January 2017 | 16,380 | 450,226 | 74,286 | 7,410 | (311) | (439,987) | 108,004 | (1,719) | 106,285 |
| Total comprehensive income/(expense) for the period | — | — | — | — | 16 | (16,113) | (16,097) | (440) | (16,537) |
| Issue of shares upon open offer | 8,190 | 106,472 | — | — | — | — | 114,662 | — | 114,662 |
| Share issue expenses | — | (5,273) | — | — | — | — | (5,273) | — | (5,273) |
| At 31 March 2017 | 24,570 | 551,425 | 74,286 | 7,410 | (295) | (456,100) | 201,296 | (2,159) | 199,137 |

Notes to Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 31 March 2017

1. GENERAL

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

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 2016.

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

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover recognised for the period, represents the aggregate of net invoiced value of goods sold, after allowances for returns, trade discounts and sales related taxes, income from provision of securities placing and brokerage services, interest income from money lending activities and rental income from lease of investment properties, analysed as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Revenue | | |
| Sales of goods | 114 | 31,499 |
| Provision of securities placing and brokerage services | 3,447 | — |
| Interest income from money lending activities | 195 | — |
| Rental income from lease of investment properties | 135 | — |
| Total revenue | 3,891 | 31,499 |

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Other income and gains | | |
| Gain on disposal of subsidiaries | — | 11,676 |
| Interest income from | | |
| — loans receivable | 382 | 359 |
| — bank deposits | 4 | — |
| Exchange gain, net | — | 205 |
| Rental income | 86 | 53 |
| Others | 51 | 5 |
| Total other income and gains | 523 | 12,298 |

4. OTHER OPERATING EXPENSES

| | 2017 | 2016 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Loss on change in fair value of financial assets at fair value through profit or loss | | |
| Net unrealised loss on listed securities held for trading | 6,558 | 13,711 |
| Net realised loss on sale of listed securities held for trading | 3,035 | 4,856 |
| Impairment losses recognised in respect of other receivables | 325 | — |
| | 9,918 | 18,567 |

5. TAXATION

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.

6. LOSS PER SHARE

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|--------------------------------------|-----------------------------|
| Loss | | |
| Loss for the purpose of basic loss per share | (16,113) | (14,679) |
| Effect of dilutive potential ordinary shares: Interest on convertible bonds | 1,218 | 1,037 |
| Loss for the purpose of diluted loss per share | N/A | N/A |
| | Number of shares '000 | Number of shares '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 1,983,835 | 1,137,529 |
| Effect of dilutive potential ordinary shares: Convertible bonds | 118,037 | 191,273 |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | 2,101,872 | 1,328,802 |

Diluted loss per share for the three months ended 31 March 2017 and 31 March 2016 are not presented because the Group sustained a loss for each of these periods and the impact of conversion of convertible bonds and exercise of share options and unlisted warrants is regarded as anti-dilutive.

7. DIVIDENDS

No dividend was paid or proposed during the three months ended 31 March 2017, nor has any dividend been proposed since the end of the reporting date (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period, the Group's business was organised in seven operation's segments namely (i) Securities brokerage; (ii) Money lending; (iii) Securities investment; (iv) Manufacture and sales of LED digital display products; (v) Investment in property; (vi) Trading of commodities and (vii) Trading of garments accessories.

Securities Brokerage

On 21 November 2016, the Group completed the acquisition of 80% equity interest in Koala Securities Limited ("**Koala Securities**"). As at the date of this report, Koala Securities is licensed to carry on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO. The Group is optimistic about the market condition of the securities brokerage, share placements, underwriting services and other related businesses and believes that it will benefit the Group in the long term.

Revenue from this business segment during the period was approximately HK\$3.4 million. It accounted for approximately 88.6% of the Group's revenue during the period.

Money Lending

In February 2016, the Group, through an indirect wholly-owned subsidiary of the Group, obtained a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In developing the Group's money lending business, the Group targets corporations and individuals with financing needs. The Group will only advance new loans to those borrowers whose have good financial credit rating and all overdue balances are reviewed regularly by our senior management.

During the period, the Group recorded loan interest income of approximately HK\$0.2 million from granting loans to both corporate and individual clients. It accounted for approximately 5.0% of the Group's revenue during the period. The outstanding principal amount of loan receivables as at 31 March 2017 was approximately HK\$23.5 million. During the period, the Group did not record any doubtful or bad debt in its money lending activities.

Securities Investment

This business activity started in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

As at 31 March 2017, the Group managed a portfolio of listed equity investment with fair value of approximately HK\$30.9 million (2016: HK\$15.9 million) which are classified as held-for-trading investments. During the period, the Group recorded a loss on fair value change of listed equity investments of approximately HK\$6.6 million (2016: HK\$13.7 million) and a realised loss of approximately HK\$3.0 million (2016: HK\$4.9 million).

Manufacture and Sales of LED Digital display products

In the third quarter of 2015, the Group established Dongguan Guss Optoelectronics Co., Ltd. to engage in manufacture and sales of LED digital display products.

During the period, the revenue was approximately HK\$0.1 million (2016: HK\$0.6 million). It accounted for approximately 2.9% of the Group's revenue during the period.

Investment in property

In the third quarter of 2016, the Group has acquired a commercial property for investment purpose. The property is located in Hong Kong. It is currently leased by a listed company. The Group believes that this property could generate stable rental income to the Group.

During the period, the revenue was approximately HK\$0.1 million. It accounted for approximately 3.4% of the Group's revenue during the period.

Trading of Garment Accessories

This operation commenced in the first quarter of 2015. In view of the market downturn, cutting prices by the competitors led to the operation's suspension from the second quarters of 2016.

Trading of commodities

The Board considered that the profit margin of trading of commodities was thin and fluctuated. The operation has been halted from the first quarters of 2016.

Financial Review

For the three months ended 31 March 2017, the turnover of the Group decreased to approximately HK\$3.9 million (2016: HK\$31.5 million), representing a decrease of approximately 87.6% when compared with that of 2016. The decrease in turnover was mainly attributable to the operation's suspension on the trading of commodities business and trading of garment accessories business.

The Group recorded a net loss of approximately HK\$16.6 million for the current period, compared with a net loss of approximately HK\$15.1 million for the same period of last year. Such loss was mainly attributable to the unrealised loss and the realised loss of the Group's held-for-trading investments.

Looking Ahead

In 2017, the Board will continue to develop current businesses and at the same time proactively explore new business areas and seek 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 Proceeding

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 has been advised by the Counsel that the Company shall have a good defence to the case and shall not be liable to the Plaintiff's claim.

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 2017.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2017, 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 |
|-------------------------------|------------------|--------------------------------|----------------------------------|-------------|---|
| Ms. Wong Ka Man | Beneficial owner | 204,351,472 | 326,315,790 (Note 1) | 530,667,262 | 21.60% |
| Like Capital Limited (Note 2) | Beneficial owner | 457,894,735 | — | 457,894,735 | 18.64% |
| Mr. Chan Kin Kee | Beneficial owner | 273,000,000 | — | 273,000,000 | 11.11% |

Notes:

- Ms. Wong Ka Man is interested in 530,667,262 Shares/underlying shares of the Company of which 326,315,790 underlying shares may be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds issued by the Company, provided that:
 - any conversion of the Convertible Bonds will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the bondholder and any parties acting in concert with it (as defined in the Takeovers Code); and
 - the exercise of the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.
- The entire issued share capital of Like Capital Limited is wholly and beneficially owned by Capital VC Limited through Ethnocentric Investment Limited.

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 2017.

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

Except the issue of 819,014,723 offer shares at a price of HK\$0.14 per share on 20 February 2017, giving rise to a net proceeds of approximately HK\$109,389,000, 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. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ong King Keung who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31 March 2017 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
Kwan Kar Ching
Chairlady

Hong Kong, 15 May 2017

As at the date of this report, the Board comprises seven Directors namely Ms. Kwan Kar Ching, Mr. Ma Arthur On-hing, Mr. Mui Wai Sum and Ms. Hsin Yi-Chin, being the executive Directors and Mr. Hung Cho Sing, Mr. Luk Kin Ting and Mr. Ong King Keung, being the independent non-executive directors.