



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

Interim

Report

2011

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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 six months ended 30 June 2011, together with the comparative figures as follows:

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2011

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)
Continuing operations					
Turnover		177,041	135,104	335,303	255,917
Cost of sales		(131,665)	(98,653)	(251,340)	(191,009)
Gross profit		45,376	36,451	83,963	64,908
Other revenue, gains and losses		4,398	(95)	8,228	397
Selling and marketing costs		(5,406)	(3,690)	(10,766)	(7,391)
Administrative expenses		(29,862)	(26,671)	(53,529)	(39,459)
Finance costs		(1,460)	(1,432)	(2,701)	(2,433)
Profit before income tax expense	4	13,046	4,563	25,195	16,022
Income tax expense	5	(3,479)	(1,036)	(5,847)	(3,180)
Profit for the period from continuing operations		9,567	3,527	19,348	12,842
Discontinued operations					
Loss for the period from discontinued operations	6	-	(1,282)	-	(3,611)
Profit for the period		9,567	2,245	19,348	9,231
Other comprehensive income					
- exchange differences on translating foreign operations		2,317	648	5,344	1,741
Other comprehensive income for the period, net of tax		2,317	648	5,344	1,741
Total comprehensive income for the period		11,884	2,893	24,692	10,972



	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)
Profit/(loss) attributable to:					
– owners of the Company		2,298	(1,025)	4,433	952
– non-controlling interests		7,269	3,270	14,915	8,279
		<u>9,567</u>	<u>2,245</u>	<u>19,348</u>	<u>9,231</u>
Total comprehensive income attributable to:					
– owners of the Company		2,310	(1,213)	7,100	2,011
– non-controlling interests		9,574	4,106	17,592	8,961
		<u>11,884</u>	<u>2,893</u>	<u>24,692</u>	<u>10,972</u>
Earnings/(loss) per share from continuing and discontinued operations (HK cents)					
– basic	7	<u>0.54</u>	<u>(0.32)</u>	<u>1.04</u>	<u>0.29</u>
– diluted	7	<u>0.52</u>	<u>(0.32)</u>	<u>1.02</u>	<u>0.29</u>
Earnings per share from continuing operations (HK cents)					
– basic	7	<u>0.54</u>	<u>0.08</u>	<u>1.04</u>	<u>1.40</u>
– diluted	7	<u>0.52</u>	<u>0.06</u>	<u>1.02</u>	<u>1.08</u>

Condensed Consolidated Statement of Financial Position (Unaudited)
As at 30 June 2011

		As at	
		30 June 2011	31 December 2010
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	9	189,799	179,737
Investment properties		32,122	30,170
Prepaid lease payments		16,212	16,173
Deferred tax assets		237	233
Goodwill	16	1,805	–
Total non-current assets		240,175	226,313
Current assets			
Inventories		89,288	57,220
Trade and note receivables	10	242,616	234,999
Prepayments, deposits and other receivables		49,425	31,487
Amount due from a non-controlling shareholder of a subsidiary		2,992	2,934
Restricted and pledged bank deposits		23,786	12,000
Cash and cash equivalents		53,755	74,788
Total current assets		461,862	413,428
Total assets		702,037	639,741
Current liabilities			
Trade and note payables	11	182,735	169,640
Accruals and other payables		96,603	88,742
Amount due to a director		2,110	2,110
Amounts due to non-controlling shareholders of subsidiaries		12,577	12,346
Bank borrowings	12	92,731	80,287
Current tax liabilities		4,078	5,354
Total current liabilities		390,834	358,479
Net current assets		71,028	54,949
Total assets less current liabilities		311,203	281,262



		As at	
		30 June 2011	31 December 2010
	Notes	HK\$'000	HK\$'000
Non-current liabilities			
Deferred tax liabilities		3,043	2,984
Total non-current liabilities		<u>3,043</u>	<u>2,984</u>
NET ASSETS			
		<u>308,160</u>	<u>278,278</u>
Capital and reserves attributable to owners of the Company			
Share capital	13	4,305	4,220
Reserves		<u>159,386</u>	<u>146,950</u>
Equity attributable to owners of the Company		163,691	151,170
Non-controlling interests		<u>144,469</u>	<u>127,108</u>
TOTAL EQUITY		<u>308,160</u>	<u>278,278</u>



Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the six months ended 30 June 2011

	Share capital	Share premium	Property revaluation reserve	Statutory reserves	Share-based payment reserve	Merger reserve	Cumulative translation adjustment	Retained earnings/ 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	-	-	-	-	-	-	1,059	952	2,011	8,961	10,972
Proposed dividend	-	-	-	-	-	-	-	-	-	(5,907)	(5,907)
At 30 June 2010	3,251	27,682	11,680	6,812	1,623	2,441	15,238	15,779	84,506	101,871	186,377
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	-	-	-	-	-	-	2,667	4,433	7,100	17,592	24,692
Shares issued under share option scheme	85	8,547	-	-	(2,971)	-	-	-	5,661	-	5,661
Transfer of reserves	-	-	-	1,200	-	-	-	(1,440)	(240)	(231)	(471)
At 30 June 2011	4,305	164,110	11,293	8,776	8,214	2,441	20,087	(55,535)	163,691	144,469	308,160

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.



Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2011

	For the six months ended	
	2011	2010
	HK\$'000	HK\$'000
Net cash used in operating activities	(6,943)	(10,942)
Net cash used in investing activities	(30,898)	(1,516)
Net cash from financing activities	<u>15,403</u>	<u>43</u>
Net decrease in cash and cash equivalents	(22,438)	(12,415)
Cash and cash equivalent at beginning of period	74,788	39,406
Effect of exchange rate changes on cash and cash equivalents	<u>1,405</u>	<u>(5,906)</u>
Cash and cash equivalents at end of period	<u><u>53,755</u></u>	<u><u>21,085</u></u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	53,755	30,246
Bank overdrafts	<u>-</u>	<u>(9,161)</u>
Cash and cash equivalents at end of period	<u><u>53,755</u></u>	<u><u>21,085</u></u>



Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. GENERAL INFORMATION

The principal activities of the Company and the Group are investment holding, manufacturing and sale of loudspeaker systems and environment related business 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 Hong Kong Accounting Standard 34 “Interim Financial Reporting” 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 unaudited condensed 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 unaudited condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2010.

The Group has adopted certain new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”) 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 HKFRSs, that have been issued but are yet effective, and are potentially relevant to the Group’s financial statements.

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



3. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

During the six months ended 30 June 2011, the Group had two reportable segments, namely the manufacturing and sale of loudspeaker system and environment related business. They were managed separately based on their business segments. On 25 August 2010, Indigo Enterprises Inc. and its subsidiary, Sonavox Canada Inc. (collectively referred to as the “Indigo Group”) included in the manufacturing and sale of loudspeaker system segment was disposed of and was presented as a discontinued operation.

The segment information provided to the chief operating decision-maker for reportable segments and reconciliation of the segments total to the amounts reported by the Group in the condensed consolidated financial statements are as follows:

For the six months ended 30 June 2011

	Manufacturing and sale of loudspeaker system <i>HK\$'000</i>	Environment related business <i>HK\$'000</i>	Unallocated <i>(Note (c))</i> <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers <i>(Note (a))</i>	335,302	–	–	335,302
Reportable segment profit/(loss) <i>(Note (b)(i))</i>	<u>33,290</u>	<u>(1,514)</u>	<u>(6,581)</u>	<u>25,195</u>
Depreciation and amortisation	9,555	18	138	9,711
Interest income	98	–	–	98
Interest expense	2,702	–	–	2,702
Impairment loss on inventories	668	–	–	668
Impairment loss on trade receivables	1,135	–	–	1,135
Income tax expense	5,847	–	–	5,847
Reportable segment assets <i>(Note (b)(ii))</i>	677,339	9,911	14,787	702,037
Reportable segment liabilities <i>(Note (b)(iii))</i>	391,122	805	1,950	393,877
Addition to non-current assets: – property, plant and equipment	<u>15,885</u>	<u>979</u>	<u>50</u>	<u>16,914</u>



For the six months ended 30 June 2010

	Continuing operations manufacturing and sale of loudspeaker system HK\$'000	Discontinued operations manufacturing and sale of loudspeaker system HK\$'000	Unallocated (Note (c)) HK\$'000	Consolidated HK\$'000
Revenue from external customers (Note (a))	255,917	46,563	–	302,480
Reportable segment profit/(loss) (Note (b)(i))	<u>20,076</u>	<u>(3,611)</u>	<u>(4,054)</u>	<u>12,411</u>
Depreciation and amortisation	9,665	1,467	130	11,262
Interest income	141	–	–	141
Interest expense	2,405	2,709	28	5,142
Impairment loss on inventories	1,297	–	–	1,297
Impairment loss on trade receivables	1,767	–	–	1,767
Income tax expense	3,180	–	–	3,180
Reportable segment assets (Note (b)(ii))	612,425	–	27,316	639,741
Reportable segment liabilities (Note (b)(iii))	357,159	–	4,304	361,463
Addition to non-current assets: – property, plant and equipment	<u>27,586</u>	<u>43</u>	<u>881</u>	<u>28,510</u>

Notes:

- (a) Revenue of approximately HK\$56,061,000 (2010: HK\$59,833,000) was derived from a single external customer and is attributable to the reportable segment of “Manufacturing and sale of loudspeaker system”.
- (b) The differences in respect of the measurements of the reportable segments’ profit or loss, segment assets and liabilities to the Group’s profit or loss before income tax expense, assets and liabilities, respectively, are as follows:
 - (i) The amount mainly represents legal and professional fee and staff cost incurred in maintaining operation of corporate level of the Group.
 - (ii) The amount mainly represents prepayments, deposits and other receivables of the Group.
 - (iii) The amount mainly represents accruals and other payables of the Group.



- (c) Reconciliation represents unallocated corporate income and expenses, assets and liabilities as follows:

	For the six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax expense and discontinued operations		
Reportable segment profit	31,776	16,465
Segment loss from discontinued operations	–	3,611
Depreciation and amortisation	(138)	(130)
Directors' emoluments	(1,072)	(307)
Others	(5,371)	(3,617)
	<u>25,195</u>	<u>16,022</u>
Profit before income tax expense from continuing operations	<u>25,195</u>	<u>16,022</u>
	30 June	31 December
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets		
Reportable segment assets	687,250	612,425
Unallocated corporate assets	14,787	27,316
	<u>702,037</u>	<u>639,741</u>
Consolidated total assets	<u>702,037</u>	<u>639,741</u>
Liabilities		
Reportable segment liabilities	391,927	357,159
Unallocated corporate liabilities	1,950	4,304
	<u>393,877</u>	<u>361,463</u>
Consolidated total liabilities	<u>393,877</u>	<u>361,463</u>



4. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	4,493	5,234	9,511	10,293
Amortisation of intangible assets	–	392	–	778
Amortisation of prepaid lease payments	101	82	200	191
(Gain)/loss on disposal of property, plant and equipment	(383)	14	(383)	34
Write-down of inventories	668	–	668	1,297
Impairment loss on trade receivables	1,135	–	1,135	1,767
	<u>1,135</u>	<u>–</u>	<u>1,135</u>	<u>1,767</u>

5. 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 six months ended 30 June 2011.

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

Suzhou Shangsheng Electric 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 six months ended 30 June 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:

	For the three months ended 30 June		For the six months ended 30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	3,479	1,036	5,847	3,180
Deferred tax	–	–	–	–
Income tax expense	<u>3,479</u>	<u>1,036</u>	<u>5,847</u>	<u>3,180</u>



6. DISCONTINUED OPERATIONS

On 12 July 2010, the Company entered into conditional sale and purchase agreements with Newood Consultancy Limited (“Newood”), whereby the Company agreed to sell and Newood agreed to purchase the entire equity interests held by the Company in 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 Newood 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 for the period ended 30 June 2010 is disclosed as follows:

(i) Analysis of the results of discontinued operations

	For the three months ended 30 June 2010 <i>HK\$'000</i>	For the six months ended 30 June 2010 <i>HK\$'000</i>
Turnover	32,373	46,563
Cost of sales	<u>(27,906)</u>	<u>(38,599)</u>
Gross profit	4,467	7,964
Other revenue, gains and losses	(106)	(139)
Selling and marketing costs	(539)	(1,063)
Administrative expenses	(3,772)	(7,664)
Finance costs	<u>(1,332)</u>	<u>(2,709)</u>
Loss before income tax expense	(1,282)	(3,611)
Income tax expense	<u>-</u>	<u>-</u>
Loss for the period from discontinued operations	<u><u>(1,282)</u></u>	<u><u>(3,611)</u></u>



(ii) Analysis of the cash flows of discontinued operations

	For the six months ended 30 June 2010 HK\$'000
Operating cash flows	933
Investing cash flows	(4)
Financing cash flows	(270)
	<hr/>
Net cash inflows	<u>659</u>

7. EARNINGS/(LOSS) PER SHARE

Continuing and discontinued operations

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

	For the three months ended 30 June		For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Earnings/(loss)				
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	<u>2,298</u>	<u>(1,025)</u>	<u>4,433</u>	<u>952</u>
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	428,690	325,090	425,365	325,090
Effect of dilutive potential ordinary shares in respect of: – share options	<u>10,478</u>	<u>–</u>	<u>10,019</u>	<u>2,072</u>
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	<u>439,168</u>	<u>325,090</u>	<u>435,384</u>	<u>327,162</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:

	For the three months ended 30 June		For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Earnings				
Earnings for the purposes of calculating basic and diluted earnings per share	<u>2,298</u>	<u>257</u>	<u>4,433</u>	<u>4,563</u>
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	428,690	325,090	425,365	325,090
Effect of dilutive potential ordinary share in respect of:				
– share options	10,478	1,196	10,019	2,072
– convertible bonds	<u>-</u>	<u>96,978</u>	<u>-</u>	<u>96,978</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>439,168</u>	<u>423,264</u>	<u>435,384</u>	<u>424,140</u>

Discontinued operations

No basic and diluted earnings or loss per share from discontinued operations for the three months and six months ended 30 June 2011 have been presented as the Group has no profit or loss from the discontinued operations for these periods.

Basic and diluted loss per share for the discontinued operations for the three months and six months ended 30 June 2010 are 0.39 HK cent and 1.11 HK cents per share respectively, based on the loss for these periods from discontinued operations of HK\$1,282,000 and HK\$3,611,000 respectively and the weighted average number of ordinary shares of 325,090,000 shares.

8. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group had additions to property, plant and equipment of approximately HK\$16,914,000 and disposed of property, plant and equipment with net book value of approximately HK\$954,000 for proceeds of about HK\$1,337,000.



10. TRADE AND NOTE RECEIVABLES

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An average credit period is generally for 90 days.

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

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Within 90 days	172,636	182,897
91 – 180 days	43,429	38,105
181 – 365 days	26,551	12,740
More than 365 days	–	1,257
	<u>242,616</u>	<u>234,999</u>

11. TRADE AND NOTE PAYABLES

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

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Within 30 days	61,735	61,679
31 – 90 days	77,245	78,616
91 – 180 days	43,195	27,771
181 – 365 days	346	1,187
More than 365 days	214	387
	<u>182,735</u>	<u>169,640</u>

12. BANK BORROWINGS

During the six months ended 30 June 2011, the Group obtained new short-term bank loans in the amount of approximately HK\$59.5 million. The loans bear interest at variable market rates and repayable within one year. Repayments of short-term bank loans amounting to approximately HK\$47.1 million were made during the period.



13. SHARE CAPITAL

	'000	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2010 and 30 June 2011	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 December 2010	421,965	4,220
Shares issued under share option scheme	8,500	85
At 30 June 2011	430,465	4,305

During the six months ended 30 June 2011, the Company allotted and issued 8,500,000 shares of HK\$0.01 each in the share capital of the Company for cash at the exercise price of HK\$0.666 per share as a result of the exercise of share options.

14. CAPITAL COMMITMENT

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	53,498	74,285

15. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2011, the Group entered into the following transactions with related parties:

(a) Sales and purchases

	For the six months ended	
	30 June 2011 HK\$'000	2010 HK\$'000
Sonavox Electronics (Suzhou Industrial Park) Company Limited ("SSIP") (Note (i))		
– Sales of goods	22	82



(b) Amounts due from/(to) related parties

	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Amount due from Suzhou City Xiangchen District Yuanhe Town Collective Assets Operation Company, a non-controlling shareholder of a subsidiary	<u>2,992</u>	<u>2,934</u>
Amount due to Suzhou City Xiangchen District Yuanhe Town Collective Assets Operation Company, a non-controlling shareholder of a subsidiary	<u>(12,043)</u>	<u>(11,807)</u>
Amount due to Wuxian City Likou Town Collective Assets Operation Company, a non-controlling shareholder of a subsidiary	<u>(534)</u>	<u>(539)</u>
Trade receivables from SSIP (Note (i))	<u>26</u>	<u>10</u>
Trade payables to Sonavox Electronics Inc. (Note (i))	<u>(4)</u>	<u>(4)</u>

The Group has not provided any impairment loss in respect of the receivables due from related parties nor has any guarantee been given to or received from any related parties.

Notes:

- (i) Mr. Yang Tsu Ying and Mr. Yang Ching Yau, the former and current directors of the Company respectively, have control over SSIP and Sonavox Electronics Inc., and in their opinion, the above transactions with related companies are carried out in the ordinary course of business on terms as agreed with the related companies.

16. ACQUISITIONS OF BUSINESSES

On 18 January 2011, the Group acquired 100% equity interest in Time Pro International Company Limited ("Time Pro"), a private limited company incorporated in Thailand, with cash consideration of HK\$5,500,000. This acquisition aims to facilitate negotiation with regards to investment in certain heat generation projects in Thailand.



The fair value of identifiable assets and liabilities of Time Pro arising from the acquisition as follows:

	Fair value <i>HK\$'000</i>
Plant and equipment	1
Cash and bank balances	3,916
Other payables	(222)
	<hr/>
Fair value of identifiable net assets acquired	<u>3,695</u>
	<hr/>
Total consideration satisfied by cash	5,500
Fair value of identifiable net assets acquired	(3,695)
	<hr/>
Goodwill arising on acquisition	<u>1,805</u>

17. EVENTS AFTER THE REPORTING PERIOD

On 9 August 2011, the Company issued the five-year 12% coupon convertible notes in principal amount of RMB33,000,000 (equivalent to approximately HK\$40,000,000) and the warrants entitling the holders thereof to subscribe up to HK\$40,000,000 for 26,666,680 new shares of HK\$0.01 each in the share capital of the Company (the "Warrant Subscription Share(s)") at the initial subscription price of HK\$1.50 per the Warrant Subscription Share. The details have been set out in the Company's announcement dated 21 June 2011 and circular dated 13 July 2011.



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\$335.3 million for the six months ended 30 June 2011 (2010: HK\$255.9 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 32.6% to approximately HK\$327.1 million (2010: HK\$246.6 million), while sales of loudspeakers systems for home theatres decreased by 11.8% to approximately HK\$8.2 million (2010: HK\$9.3 million). The Group maintained steady gross profit ratio from continuing operations of 25.0% for the six months ended 30 June 2010 (2010: 25.4%).

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\$3.6 million for the six months ended 30 June 2010.

As a result of increase in the sales and the disposal of the loss-making Indigo Group in 2010, the Group recorded net profit of approximately HK\$19.3 million for the six months ended 30 June 2011 (2010: HK\$9.2 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\$335.3 million for the six months ended 30 June 2011 (2010: HK\$255.9 million).

Mainland China and Europe are the major markets for the Group's turnover, contributing to 38% and 43% respectively of the Group's turnover from continuing operations for the six months ended 30 June 2011 (2010: 43% and 22% 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 new business opportunities 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 Shengyi 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 30 June 2011, the Group's major business operations took place in China and Thailand, financed mainly by the cash revenue generated from operating activities and by corporate borrowings. As at 30 June 2011, the Group had cash and bank balances together with restricted and pledged bank deposits of approximately HK\$77,541,000 (31 December 2010: HK\$86,788,000). The decrease in cash and bank deposits was primarily attributable to the construction of factory buildings to expand production facilities and operation size during the period under review. As at 30 June 2011, the Group had short-term bank loans of approximately HK\$92,731,000 (31 December 2010: HK\$80,287,000) bearing interest rates ranging from 5.31% to 6.60% per annum with repayment within a year, while did not have any bank overdrafts.

As at 30 June 2011, the Group's outstanding number of issued shares of HK\$0.01 each was 430,464,974 shares. During the six months ended 30 June 2011, the Company allotted and issued 8,500,000 shares of the HK\$0.01 each in the share capital of the Company as a result of the exercise of share options.

The Group's gearing ratio, as a percentage of bank and other borrowings over total assets, as at 30 June 2011 was 13% (31 December 2010: 13%).

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the section headed "Business Review and Prospects", during the six months ended 30 June 2011, the Group did not make any significant investments or future plans for materials investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the section headed "Business Review and Prospects", during the six months ended 30 June 2011, the Group did not effect any material acquisitions or disposals which would be required to be disclosed under the GEM Listing Rules.



SEGMENT INFORMATION

Manufacturing and sale of loudspeaker system

Turnover for the six months ended 30 June 2011 amounted to approximately HK\$335.5 million (2010: HK\$255.9 million) or 100% (2010: 100%) of the Group's turnover from continuing operations.

Environment related business

The Group commenced its environment related business and did not record any turnover during the six months ended 30 June 2011 (2010: Nil).

EMPLOYEE INFORMATION

A breakdown of the number of employees of the Group by function as at 30 June 2011 is set out as follows:

	2011	2010
Management and administration	101	107
Sales and marketing	109	75
Manufacturing and operations	1,692	1,653
Research and development	44	53
Quality assurance and quality control	156	139
Finance and accounting	13	12
Total	<u>2,115</u>	<u>2,039</u>

The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$59,835,000 (2010: HK\$64,645,000).

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

CHARGE ON ASSETS

As at 30 June 2011, the Group's bank borrowings are secured by land and buildings with the carrying amount approximately HK\$102.6 million (31 December 2010: HK\$97.5 million).

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any material contingent liabilities (31 December 2010: Nil).



EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the period under review, the Group's transactions were mainly denominated in Renminbi, United States dollars, Euro, Thai Baht and Hong Kong dollars. The Group did not use any financial instruments for hedging purposes as at 30 June 2011 (31 December 2010: Nil).

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

As at 30 June 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	55.65%

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 30 June 2011.



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

As at 30 June 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	55.65%
Mr. Shan Xiaochang (Note 1)	Interest of a controlled corporation	239,556,536	–	239,556,536	55.65%
Ms. Wu Shuhua (Note 2)	Interest of spouse	239,556,536	–	239,556,536	55.65%
Mr. Chan Ping Yee	Beneficial owner	73,675,000	–	73,675,000	17.12%
Ms. Liu Sau Wan (Note 3)	Interest of spouse	73,675,000	–	73,675,000	17.12%

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 30 June 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 30 June 2011
(a) Directors	-	-	-	-	-	-	-
(b) Others in aggregate	25 November 2010 to 24 November 2020	0.666	32,000,000	-	8,500,000	-	23,500,000
			<u>32,000,000</u>	<u>-</u>	<u>8,500,000</u>	<u>-</u>	<u>23,500,000</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.

24 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and required standard of dealings and its code of conduct regarding security transactions by the Directors throughout the six months ended 30 June 2011.

CORPORATE GOVERNANCE PRACTICES AND PROCEDURES

The Group believes that enhancing good corporate governance demands long-term commitment from management and that the distinctive roles and functions of different commitments are important in strengthening internal control.

The Board is of the view that the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2011, except that Mr. Shan Xiaochang, an executive Director, has served both roles as the chairman and the chief executive officer of the Company since September 2010. In view of the scale and operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives, the Board is of the view that this has not compromised accountability and independent decision-making. In addition, the audit committee of the Company composed exclusively of independent non-executive Directors and the independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advisors when considered necessary.



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 six months ended 30 June 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
Sunrise (China) Technology Group Limited
Shan Xiaochang
Chairman

Hong Kong, 10 August 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.

