



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

Stepping into an
era of
Green Economy

Interim Report

2012

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2012, together with the comparative figures as follows:

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2012

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover		158,903	177,041	361,362	335,303
Cost of sales		(124,697)	(131,665)	(281,829)	(251,340)
Gross profit		34,206	45,376	79,533	83,963
Other revenue, gains and losses (net)		6,734	4,398	11,222	8,228
Gain arising from fair value change of derivative financial instrument		9,617	–	24,354	–
Selling and marketing costs		(7,543)	(5,406)	(12,613)	(10,766)
Administrative expenses		(30,892)	(29,862)	(62,768)	(53,529)
Finance costs	4	(6,449)	(1,460)	(11,995)	(2,701)
Profit before income tax expense	5	5,673	13,046	27,733	25,195
Income tax expense	6	(1,378)	(3,479)	(4,768)	(5,847)
Profit for the period		4,295	9,567	22,965	19,348
Other comprehensive income					
– exchange differences on translating foreign operations		(1,431)	2,317	84	5,344
Other comprehensive income for the period, net of tax		(1,431)	2,317	84	5,344
Total comprehensive income for the period		2,864	11,884	23,049	24,692

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Profit attributable to:					
– owners of the Company		3,329	2,298	15,710	4,433
– non-controlling interests		966	7,269	7,255	14,915
		<u>4,295</u>	<u>9,567</u>	<u>22,965</u>	<u>19,348</u>
Total comprehensive income attributable to:					
– owners of the Company		1,633	2,310	14,752	7,100
– non-controlling interests		1,231	9,574	8,297	17,592
		<u>2,864</u>	<u>11,884</u>	<u>23,049</u>	<u>24,692</u>
Earnings per share (HK cents)					
– basic	7	<u>0.77</u>	0.54	<u>3.64</u>	1.04
– diluted	7	<u>0.77</u>	0.52	<u>3.64</u>	1.02

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2012

		As at	
		30 June	31 December
		2012	2011
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	9	258,531	237,746
Investment properties		31,509	31,340
Payments for leasehold land held for own use under operating leases		19,572	19,618
Deferred tax assets		324	324
Prepayments		27,630	27,708
Intangible assets		12,324	16,444
Goodwill		3,204	3,204
Other financial asset		3,725	3,736
		<hr/>	<hr/>
Total non-current assets		356,819	340,120
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		122,134	96,686
Trade and note receivables	10	166,246	228,339
Prepayments, deposits and other receivables		62,022	28,937
Restricted and pledged bank deposits		15,225	28,445
Cash and bank balances		127,305	121,505
		<hr/>	<hr/>
Total current assets		492,932	503,912
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		849,751	844,032
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and note payables	11	215,415	230,131
Accruals and other payables		71,855	93,777
Amounts due to directors		8,632	2,848
Amounts due to non-controlling shareholders of subsidiaries		63,670	46,927
Borrowings – due within one year		146,812	121,186
Current tax liabilities		2,614	776
		<hr/>	<hr/>
Total current liabilities		508,998	495,645
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net current (liabilities)/assets		(16,066)	8,267
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets less current liabilities		340,753	348,387
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

		As at	
		30 June 2012	31 December 2011
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		11,568	11,535
Embedded derivatives	12	2,193	15,837
Convertible loan notes	12	28,672	24,776
Unlisted warrants	13	4,026	14,736
		<u>46,459</u>	<u>66,884</u>
Total non-current liabilities		<u>46,459</u>	<u>66,884</u>
NET ASSETS			
		<u>294,294</u>	<u>281,503</u>
Capital and reserves attributable to owners of the Company			
Share capital	14	4,318	4,318
Reserves		138,540	123,788
		<u>142,858</u>	<u>128,106</u>
Equity attributable to owners of the Company		<u>142,858</u>	<u>128,106</u>
Non-controlling interests			
		<u>151,436</u>	<u>153,397</u>
TOTAL EQUITY			
		<u>294,294</u>	<u>281,503</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the six months ended 30 June 2012

	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Statutory reserves (Note (a)) HK\$'000	Share-based payment reserve HK\$'000	Merger reserve (Note (b)) HK\$'000	Cumulative translation adjustment reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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
Issuance of shares upon conversion of share options	85	8,547	-	-	(2,971)	-	-	-	5,661	-	5,661
Transfer of reserve	-	-	-	1,200	-	-	-	(1,440)	(240)	(231)	(471)
At 30 June 2011	<u>4,305</u>	<u>164,110</u>	<u>11,293</u>	<u>8,776</u>	<u>8,214</u>	<u>2,441</u>	<u>20,087</u>	<u>(55,535)</u>	<u>163,691</u>	<u>144,469</u>	<u>308,160</u>
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	-	-	-	-	-	-	(958)	15,710	14,752	8,297	23,049
Cancellation of share options previously granted	-	-	-	-	(955)	-	-	955	-	-	-
Dividend of a subsidiary	-	-	-	-	-	-	-	-	-	(10,258)	(10,258)
At 30 June 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>19,377</u>	<u>(96,754)</u>	<u>142,858</u>	<u>151,436</u>	<u>294,294</u>

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 2012*

	For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Net cash used in operating activities	(753)	(6,943)
Net cash used in investing activities	(16,033)	(30,898)
Net cash from financing activities	<u>23,887</u>	<u>15,403</u>
Net increase/(decrease) in cash and cash equivalents	7,101	(22,438)
Cash and cash equivalents at beginning of period	121,505	74,788
Effect of foreign exchange rate changes	<u>(1,301)</u>	<u>1,405</u>
Cash and cash equivalents at end of period	<u><u>127,305</u></u>	<u><u>53,755</u></u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<u><u>127,305</u></u>	<u><u>53,755</u></u>

Notes to Condensed Consolidated Financial Statements*For the six months ended 30 June 2012***1. GENERAL INFORMATION**

The Company is an investment holding company. The Company's subsidiaries are principally engaged in manufacturing and sales of loudspeaker systems and environment related business.

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 (the "BVI"), as the ultimate holding company.

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" 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, investment properties and financial instruments, 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 2011.

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") that are effective for the current accounting period. The adoption of the new/revised HKFRSs has no material 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 period, the Group had two reportable segments, namely the manufacturing and sales of loudspeaker systems and environment related business. They were managed separately based on their business nature.

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:

	Manufacturing and sales of loudspeaker systems <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>
For the six months ended 30 June 2012				
Revenue from external customers <i>(Note (a))</i>	353,836	7,526	–	361,362
Reportable segment profit/(loss) <i>(Note (b)(i))</i>	<u>20,866</u>	<u>12,242</u>	<u>(5,375)</u>	<u>27,733</u>
Depreciation and amortisation	10,017	4,631	144	14,792
Interest income	735	14	–	749
Interest expense	4,377	7,618	–	11,995
Reversal of impairment loss on trade receivables	506	–	–	506
Gain arising from fair value change of embedded derivatives	–	13,644	–	13,644
Gain arising from fair value change of unlisted warrants	–	10,710	–	10,710
Income tax expense	4,743	25	–	4,768
Addition to non-current assets: – property, plant and equipment	<u>28,593</u>	<u>1,477</u>	<u>23</u>	<u>30,093</u>
As at 30 June 2012				
Reportable segment assets <i>(Note (b)(ii))</i>	734,705	113,373	1,673	849,751
Reportable segment liabilities <i>(Note (b)(iii))</i>	<u>444,610</u>	<u>106,941</u>	<u>3,906</u>	<u>555,457</u>

	Manufacturing and sales of loudspeaker systems HK\$'000	Environment related business HK\$'000	Unallocated (Note (c)) HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2011				
Revenue from external customers	335,303	–	–	335,303
Reportable segment profit/(loss)	<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	2,701	–	–	2,701
Impairment loss on inventories	668	–	–	668
Impairment loss on trade receivables	1,135	–	–	1,135
Income tax expense	5,847	–	–	5,847
Addition to non-current assets: – property, plant and equipment	<u>15,885</u>	<u>979</u>	<u>50</u>	<u>16,914</u>
As at 31 December 2011				
Reportable segment assets	759,686	81,595	2,751	844,032
Reportable segment liabilities	<u>475,597</u>	<u>84,398</u>	<u>2,534</u>	<u>562,529</u>

Notes:

- (a) The following is an analysis of Group's revenue from its major customers during the period and is attributable to the reportable segment of "Manufacturing and sales of loudspeaker systems:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Customer A	44,622	56,061
Customer B	<u>38,180</u>	<u>N/A</u>

4. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
– bank and other borrowings	4,492	1,460	8,050	2,701
– convertible loan notes	1,896	–	3,771	–
– discounted bills	61	–	174	–
	<u>6,449</u>	<u>1,460</u>	<u>11,995</u>	<u>2,701</u>

5. 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	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	5,093	4,493	10,527	9,511
Amortisation of intangible assets	2,038	–	4,119	–
Amortisation of payments for leasehold land held for own use under operating leases	34	101	146	200
Provision for impairment loss on inventories	–	668	–	668
(Reversal of)/impairment loss on trade receivables	(506)	1,135	(506)	1,135
Gain arising from fair value change of embedded derivatives	(6,199)	–	(13,644)	–
Gain arising from fair value change unlisted warrants	(3,418)	–	(10,710)	–
Gain on disposal of property, plant and equipment	–	(383)	–	(383)
	<u>–</u>	<u>(383)</u>	<u>–</u>	<u>(383)</u>

6. 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 2012.

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

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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Current tax				
– PRC EIT	1,394	3,479	4,677	4,749
– (Over)/under provision of EIT in prior years	(16)	–	91	1,098
Income tax expense	<u>1,378</u>	<u>3,479</u>	<u>4,768</u>	<u>5,847</u>

7. EARNINGS PER SHARE

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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<u>Earnings</u>				
Earnings for the purposes of basic and diluted earnings per share	<u>3,329</u>	<u>2,298</u>	<u>15,710</u>	<u>4,433</u>
<u>Number of shares</u>	<u>'000</u>	<u>'000</u>	<u>'000</u>	<u>'000</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	431,765	428,690	431,765	425,365
Effect of dilutive potential ordinary shares in respect of:				
– share options	–	10,478	–	10,019
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>431,765</u>	<u>439,168</u>	<u>431,765</u>	<u>435,384</u>

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: HK\$Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had additions to property, plant and equipment of approximately HK\$30,093,000 and disposed of property, plant and equipment with net book value of approximately HK\$12,000.

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:

	As at	
	30 June 2012 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>
Within 90 days	132,750	187,847
91 – 180 days	11,107	21,838
181 – 365 days	13,037	13,133
More than 365 days	6,244	1,869
	163,138	224,687
Retention monies	3,108	3,652
	166,246	228,339

In respect of certain environment related projects at the end of reporting period, the amount of retention monies receivable from customers, included within 'Trade and note receivables' at 30 June 2012 is approximately HK\$3,108,000 (31 December 2011: HK\$3,652,000). The amount of those retentions expected to be recovered after more than one year is approximately HK\$3,108,000 (31 December 2011: HK\$3,091,000).

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:

	As at	
	30 June 2012 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>
Within 30 days	71,088	94,462
31 – 90 days	94,599	79,195
91 – 180 days	49,184	55,912
181 – 365 days	90	87
More than 365 days	454	475
	215,415	230,131
	215,415	230,131

12. CONVERTIBLE LOAN NOTES AND EMBEDDED DERIVATIVES

	Liability component <i>HK\$'000</i>	Embedded derivatives <i>HK\$'000</i>
At 1 January 2011	–	–
Convertible loan notes issued	21,407	16,594
Interest charge	2,958	–
Gain arising from fair value change	–	(757)
Translation adjustment	411	–
	<u>24,776</u>	<u>15,837</u>
At 31 December 2011 and 1 January 2012	24,776	15,837
Interest charge	3,771	–
Gain arising from fair value change	–	(13,644)
Translating adjustment	125	–
	<u>28,672</u>	<u>2,193</u>
At 30 June 2012	28,672	2,193

13. UNLISTED WARRANTS

	<i>HK\$'000</i>
At 1 January 2011	–
Proceeds from issue of unlisted warrants	800
Loss arising from fair value change	13,936
	<u>14,736</u>
At 31 December 2011 and 1 January 2012	14,736
Gain arising from fair value change	(10,710)
	<u>4,026</u>
At 30 June 2012	4,026

14. SHARE CAPITAL

	<i>'000</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 December 2011 and 30 June 2012	<u>20,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 31 December 2011 and 30 June 2012	<u>431,765</u>	<u>4,318</u>

15. CAPITAL COMMITMENT

	As at	
	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements	<u>70,891</u>	<u>81,137</u>

16. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

(a) Sales and purchases

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Sonavox Electronics (Suzhou Industrial Park) Company Limited ("SSIP") – sales of goods	<u>464</u>	<u>22</u>

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

	As at	
	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Amount due to Suzhou City Xiangchen District Yuanhe Town Collective Assets Operation Company, a non-controlling shareholder of a subsidiary	<u>(3,600)</u>	<u>(3,578)</u>
Amount due to Wuxian City Likou Town Collective Assets Operation Company, a non-controlling shareholder of a subsidiary	<u>(645)</u>	<u>(544)</u>
Trade receivables from SSIP	<u>381</u>	<u>452</u>

- (c) During the period, Asian Elite International Company Limited, a related Company of the Group with common director, had pledged land and buildings of carrying amount of HK\$37,095,000 to a bank for granting a loan of HK\$12,296,000 to a group entity.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group continued to diversify its businesses in the environment related industry in light of the increasingly sanguine market conditions for environmental protection industry and the Company's strategy to seek sustainable business operations. The Group is currently developing its environmental technology businesses in China and Thailand through Confidential Echo Holdings Limited and its subsidiaries (the "Shengyi Technology Group") and Time Pro International Company Limited ("Time Pro") respectively.

The Shengyi Technology Group is principally engaged in the business of environmental technology engineering and construction. It excels in the areas of desulphurisation, which are of particular emphasis for toxin-emitting industries, such as coal chemical processing. As the only coal-chemical desulphurisation specialist in Jiangsu, the Shengyi Technology Group stationed in the National Hi-Tech Industrial Development Zone, which has been uniquely and professionally implementing the technology research, development and application of sulphur recycling. The Shengyi Technology Group provides professional services with self-developed technologies which incurs 3 patents, namely direct oxidization, tail gas recycling dilution and C-C two sectioned method. The Shengyi Technology Group is currently conducting the R&D on a new generation of technology in order to further expand its market. This will bring about a continuous growth and revenue in environment related business of the Group. As at 30 June 2012, there are 7 outstanding uncompleted orders on hand not yet recognized, with total contract sum of approximately RMB124.1 million (equivalent to approximately HK\$152.5 million), and certain of them are expected to be completed and generate profit in 2012.

The Group's another subsidiary, Time Pro provides biomass heat generation service in Thailand by utilizing bio-waste into green alternative energy. It provides cost saving and green solution to industrial manufacturers in Thailand.

The Group expects that the environment related 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.

- 16** The Group also continued to strengthen its business and streamline group operations in the manufacturing and sales of quality and high performance loudspeaker systems for leading global automobiles. The Group has secured a position as a leading loudspeaker manufacturer in China with its steadfast business relationships with leading automobile players.

Financial Review

During the period under review, businesses of the Group continued to record healthy growth in its sales, on the back of improving economic conditions and global consumer appetite, and the Group recorded an improvement in turnover of 7.8% to approximately HK\$361.4 million (2011: HK\$335.3 million). For the six months ended 30 June 2012, sales of loudspeaker systems increased by 5.5% to approximately HK\$353.9 million (2011: HK\$335.3 million). The Group has commenced its environment related business since 2011. Revenue and customers' receipts in advance generated from environment related business amounted to HK\$7.5 million for the six months ended 30 June 2012 and HK\$19.7 million as at 30 June 2012 respectively. The increase in overall sales is primarily attributable to the continual growth of the automobile market and the contributions from the Group's new businesses in the environment related industry. The Group's gross profit ratio was decreased to 22.0% for the six months ended 30 June 2012 (2011: 25.0%) mainly because of the fluctuation in the raw material pricing in the sales of loudspeaker systems.

During the six months ended 30 June 2012, the Group recorded net profit of approximately HK\$23.0 million (2011: HK\$19.3 million). Such increase in net profit was mainly attributable to (i) the fair value gain of derivative financial instrument of approximately HK\$24.4 million recognized by the Company in respect of the convertible loan notes and the unlisted warrants issued by the Company; and (ii) the profit generated from the principal businesses of the Group.

Prospects

As the market demand for desulphurisation in chemical industries in China and biomass heat generation for ceramic industries in Thailand continue to increase, combined with the government support and subsidize to green business, the Group is expected to obtain more projects and generate greater revenue in the future.

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 Technology 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.

The business of manufacturing and sales of loudspeaker systems is facing a challenge in 2012. As a result of the slow US economic recovery, the continuous Euro area debt crisis and the weakening China economic growth, the tougher global economic environment has affected the market demands in all core districts. On the other hand, the raw material and labor costs in China have also risen to a historical high level. The Group will continue to monitor, assess and actively procure suitable opportunities that are a strategic fit with the Company's future development.

Liquidity, Financial Resources and Capital Structure

For the period under review, the Group's major business operations took place in China, financed mainly by the cash revenue generated from operating activities and by corporate borrowings. As at 30 June 2012, the Group had cash and bank balances, and restricted and pledged bank deposits of approximately HK\$127,305,000 and HK\$15,225,000 respectively (31 December 2011: HK\$121,505,000 and HK\$28,445,000 respectively). The increase in cash and bank balances was primarily attributable to the increase in borrowings during the period. As at 30 June 2012, the Group's total indebtedness comprised liability portion of outstanding five-year 12% convertible loan notes in principal amount of RMB33,000,000 (the "Convertible Loan Notes") and the short-term borrowings with aggregate amount of approximately HK\$175,484,000 (31 December 2011: HK\$145,962,000). The Convertible Loan Notes, if not converted nor early redeemed, would be due for repayment in August 2016. The Convertible Loan Notes were denominated in Renminbi and bore coupon rate at 12% per annum and yield to maturity rate at 15% per annum compounded annually whereas the short-term borrowings were denominated in Renminbi and Hong Kong dollars and bore interest rates ranging from 6.6% to 17.6% per annum with repayment within a year.

At 30 June 2012, the Group's current liabilities exceeded its current assets by HK\$16,066,000. The Group's current liabilities included amounts due to non-controlling shareholders of subsidiaries and amounts due to Directors of HK\$63,670,000 and HK\$8,632,000 respectively as at 30 June 2012, which would not be demanded for repayment until such time when repayment will not affect the Group's ability to repay other creditors.

As at 30 June 2012, the Group's outstanding number of issued shares of HK\$0.01 each was 431,764,974 shares (31 December 2011: 431,764,974 shares).

The Group's gearing ratio, as a percentage of total indebtedness over total indebtedness and total equity, as at 30 June 2012 was 37.4% (31 December 2011: 34.1%).

Significant Investments and Future Plans for Material Investments

Save as disclosed in the sections headed "Business Review" and "Prospects", during the six months ended 30 June 2012, the Group did not make any significant investments or future plans for materials investments.

Material Acquisitions and Disposals

Save as disclosed in the sections headed "Business Review" and "Prospects", during the six months ended 30 June 2012, the Group did not make any material acquisitions or disposals which would be required to be disclosed under the GEM Listing Rules.

Employee Information

As at 30 June 2012, the Group had about 2,599 (2011: 2,115) employees including directors. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$70,783,000 (2011: HK\$59,835,000).

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.

Charges on Assets

As at 30 June 2012, the Group's certain leasehold land and buildings and investment properties with aggregate carrying amount of approximately HK\$120,728,000 (31 December 2011: HK\$122,674,000) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2012, bank deposits of HK\$15,225,000 (31 December 2011: HK\$28,445,000) were pledged to secure the banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2012, the Group did not have any material contingent liabilities (31 December 2011: HK\$Nil).

Exposure to Fluctuations in Exchange Rates and Related Hedges

During the period under review, the Group's transactions were mainly denominated in Renminbi, Hong Kong dollars, US dollars and Euro which exposed the Group to currency risk. The Group currently does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

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

As at 30 June 2012, 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:

1. 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.
2. 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 of the Company 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 30 June 2012.

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

As at 30 June 2012, 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 (<i>Note 1</i>)	Beneficial owner	239,556,536	–	239,556,536	55.48%
Mr. Shan Xiaochang (<i>Note 1</i>)	Interest of a controlled corporation	239,556,536	–	239,556,536	55.48%
	Beneficial owner	–	35,000,000 (<i>Note 2</i>)	35,000,000	8.11%
		239,556,536	35,000,000	274,556,536	63.59%
Ms. Wu Shuhua (<i>Note 3</i>)	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 (<i>Note 4</i>)	Interest of spouse	73,675,000	–	73,675,000	17.06%
Concept Capital Management Limited	Beneficial owner	–	146,163,814 (<i>Note 5</i>)	146,163,814	33.85%

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. 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 of the Company 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.
3. 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 notice from 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 30 June 2012.

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 and, will remain valid until 7 July 2012. Shares options granted prior to the expiry of the share option scheme will continue to be valid and exercisable in accordance with the rules of the 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 30 June 2012, the Company had 60,700,000 (31 December 2011: 62,700,000) share options outstanding under the share option scheme adopted by the Company on 8 July 2002, which represented approximately 14.1% (31 December 2011: 14.5%) on that date.

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 of the Company 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 of the Company 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 of the Company.

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 2012	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2012
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	25 November 2010 to 24 November 2020	0.666	1,000,000	-	-	(1,000,000)	-
	2 September 2011 to 1 September 2021	0.962	5,500,000	-	-	(1,000,000)	4,500,000
			6,500,000	-	-	(2,000,000)	4,500,000
Others							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	-	-	-	21,200,000
			62,700,000	-	-	(2,000,000)	60,700,000

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the period were the rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or chief executive of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them or was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire such rights or benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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.

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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

23

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 2012.

CORPORATE GOVERNANCE PRACTICES AND PROCEDURES

The Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2012, except for the following deviations:

Code Provision A.2.1

The code provision stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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.

Code Provision E.1.2

The code provision stipulated that the chairman of the Board should attend the annual general meeting of the Company.

Due to urgent business engagement, Mr. Shan Xiaochang, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 15 June 2012 (the "Meeting"). Mr. Ma Arthur On-hing, an executive Director, presided as the chairman at the Meeting in accordance with the articles of association of the Company.

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 2012 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 2012

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.