



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 2014



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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 2014, 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 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations			
Revenue		2,868	162,907
Cost of sales		(2,727)	(116,601)
Gross profit		141	46,306
Other income and gains		–	26,135
Selling and distribution expenses		(40)	(12,447)
Administrative expenses		(2,599)	(26,129)
Other operating expenses		(1)	(4,559)
Finance costs		(1,003)	(4,944)
(Loss)/profit before tax		(3,502)	24,362
Income tax	3	–	(6,698)
(Loss)/profit for the period from continuing operations		(3,502)	17,664
Discontinued operations			
Profit/(loss) for the period from discontinued operations	4	50,591	(1,369)
Profit for the period		47,089	16,295
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(990)	4,315
Other comprehensive (expense)/income for the period		(990)	4,315
Total comprehensive income for the period		46,099	20,610

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) for the period from continuing and discontinued operations attributable to:			
Owners of the Company		47,284	6,412
Non-controlling interests		(195)	9,883
		47,089	16,295
(Loss)/profit for the period from continuing operations attributable to:			
Owners of the Company		(3,479)	7,110
Non-controlling interests		(23)	10,554
		(3,502)	17,664
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		46,494	9,395
Non-controlling interests		(395)	11,215
		46,099	20,610
Earnings/(loss) per share	5		
From continuing and discontinued operations			
Basic and diluted		HK10.95 cents	HK1.49 cents
From continuing operations			
Basic and diluted		HK(0.81) cent	HK1.65 cents

Condensed Consolidated Statement of Changes in Equity (Unaudited)
 For the three months ended 31 March 2014

	Attributable to owners of the Company										
	Share capital	Share premium account	Asset revaluation reserve	Statutory reserve	Share option reserve	Merger reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	4,318	165,417	11,293	12,828	24,572	2,441	23,309	(116,069)	128,109	172,945	301,054
Total comprehensive income for the period	-	-	-	-	-	-	2,983	6,412	9,395	11,215	20,610
Transfer from retained earnings	-	-	-	11,763	-	-	-	(13,420)	(1,657)	-	(1,657)
At 31 March 2013	<u>4,318</u>	<u>165,417</u>	<u>11,293</u>	<u>24,591</u>	<u>24,572</u>	<u>2,441</u>	<u>26,292</u>	<u>(123,077)</u>	<u>135,847</u>	<u>184,160</u>	<u>320,007</u>
At 1 January 2014	4,318	165,417	-	815	22,149	-	2,573	(132,759)	62,513	28,366	90,879
Total comprehensive income for the period	-	-	-	-	-	-	(790)	47,284	46,494	(395)	46,099
Increase in non-controlling interests arising on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	9	9
Transfer to retained earnings on disposal of a subsidiary	-	-	-	(815)	-	-	-	815	-	-	-
At 31 March 2014	<u>4,318</u>	<u>165,417</u>	<u>-</u>	<u>-</u>	<u>22,149</u>	<u>-</u>	<u>1,783</u>	<u>(84,660)</u>	<u>109,007</u>	<u>27,980</u>	<u>136,987</u>

Notes:

(a) Statutory reserve

Pursuant to the articles of association of the group entities in the People's Republic of China ("PRC" or "Mainland China"), appropriations are made from the retained earnings to certain statutory reserves, based on a percentage of profit in accordance with the rules and regulations in Mainland China. 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 at 1 January 2013 and 31 March 2013 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 in 2002.

Notes to Condensed Consolidated Financial Statements (Unaudited)*For the three months ended 31 March 2014***1. GENERAL**

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

During the period, the Group was involved in environmental related businesses.

The condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the same as the functional currency of the Company.

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

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 2013.

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

3. INCOME TAX

	2014	2013
	HK\$'000	HK\$'000
Current tax		
– PRC Enterprise Income Tax		
Charge for the period	–	7,378
Overprovision in prior years	–	(680)
	<hr/>	<hr/>
Total tax charge for the period	<u>–</u>	<u>6,698</u>

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.

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at 25% for both of the periods presented. A PRC subsidiary was registered as a Hi-New Technology Enterprise by the relevant government authority in the PRC and is subjected to the PRC corporate tax at the rate of 15%.

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

4. DISCONTINUED OPERATIONS

During the period, following the disposal of the Company's subsidiary, Confident Echo Holdings Limited, the Group discontinued its business of provision of technological desulphurization service on 30 January 2014. An analysis of the results attributable to the discontinued operations is as follows:

	1.1.2014 to 30.1.2014 HK\$'000	1.1.2013 to 31.3.2013 HK\$'000
Loss of the discontinued operations	(352)	(1,369)
Gain on disposal of subsidiaries	<u>50,943</u>	<u>-</u>
Profit/(loss) for the period from discontinued operations	<u>50,591</u>	<u>(1,369)</u>
Profit/(loss) for the period from discontinued operations attributable to:		
Owners of the Company	50,763	(698)
Non-controlling interests	<u>(172)</u>	<u>(671)</u>
	<u>50,591</u>	<u>(1,369)</u>

The loss from discontinued operations are analysed as follows:

	1.1.2014 to 30.1.2014 HK\$'000	1.1.2013 to 31.3.2013 HK\$'000
Revenue	-	-
Cost of sales	<u>-</u>	<u>-</u>
Gross profit	-	-
Other income and gains	-	184
Selling and distribution expenses	(96)	(183)
Administrative expenses	(256)	(1,370)
Other operating expenses	-	-
Finance costs	<u>-</u>	<u>-</u>
Loss before tax	(352)	(1,369)
Income tax expense	<u>-</u>	<u>-</u>
Loss for the period from discontinued operations	<u>(352)</u>	<u>(1,369)</u>

5. EARNINGS/(LOSS) PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings – From continuing and discontinued operation		
Earnings for the purposes of calculating basic and diluted earnings per share	<u>47,284</u>	<u>6,412</u>
(Loss)/earnings – From continuing operations		
(Loss)/earnings for the purposes of calculating basic and diluted earnings for share	<u>(3,479)</u>	<u>7,110</u>
Number of shares – From continuing and discontinued operations and from continuing operations		
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	<u>431,765</u>	<u>431,765</u>

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the three months ended 31 March 2014 and 2013 in respect of a dilution as the impact of the unlisted warrants and convertible loan notes during these periods had either no dilutive effect or an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

6. DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the three months ended 31 March 2014 (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS**BUSINESS REVIEW****Heilongjiang Province Shengyan New Energy Development Limited (“Shengyan”)**

Shengyan was incorporated in the PRC in July 2010 with a registered capital of RMB30 million and is principally engaged in the production and sale of straw fuel briquettes, which is a type of biofuels and a substitute for coal in the northeast region of the PRC. The Group completed the acquisition of its 51% interest in Shengyan in December 2012. The business model of Shengyan is briefly summarised as follows:

- Straw collection – purchase, collect and strap raw straw from farmers and transport to the warehouses for storage;
- Straw chopping – the collected straw is then crushed into fine powder through crushing equipments;
- Straw briquetting – the powdered straw is then put into the briquetting press machines from where it is compressed and processed before straw fuel briquettes are made; and
- Sale of finished products – upon receiving sales orders, the straw fuel briquettes are then sold to customers.

The customers of Shengyan are mainly consisted of companies located at Heilongjiang Province in the PRC, which are engaged in agricultural and manufacturing industries and use the straw fuel briquettes for different usage such as heat generation. Revenue of Heilongjiang Shengyan is mainly derived from the sale of straw fuel briquettes by sales orders from customers and Shengyan purchases raw straw directly from many different local farmers located at the Baiquan County of Heilongjiang Province.

During the first quarter of this year, Shengyan has recorded a sales income of approximately HK\$2.9 million (2013: HK\$19.3 million). The reduction is mainly caused by a halt in production when Shengyan was engaging in the periodic inspection and maintenance of production plants.

Jiangsu Shengyi Environmental Technology Company Limited (“Shengyi”)

Shengyi was principally engaged in the provision of technological desulphurization service, which could effectively reduce sulfur dioxide and hydrogen sulfide emissions generated from burning of fossil fuels such as coal, natural gas and oil products. Since there was a slowdown in overall economic growth during the past year and many traditional chemical manufacturers were suffering from cash flow shortages, existing contracts of Shengyi were experiencing slow progress.

Reference is made to the announcement of the Company dated 23 December 2013 and the circular of the Company dated 30 January 2014 in relation to the disposal of a subsidiary, the Company and a purchaser entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to dispose Confident Echo Holdings Limited and its subsidiaries including Shengyi at an aggregate consideration of HK\$51 million. The disposal was completed on 30 January 2014.

Financial Review

The Group has commenced its environmental related businesses since 2012. Revenue generated from such businesses was decreased by 85.0% to HK\$2.9 million (2013: 19.3 million) for the three months ended 31 March 2014. The gross profit ratio decreased to 4.9% (2013: 35.0%) for the three months ended 31 March 2014.

The Group recorded a decrease in overall turnover of 98.2% to approximately HK\$2.9 million (2013: HK\$162.9 million) due to the disposal of Loudspeaker Business in last year, revenue generated from which was approximately HK\$143.6 million for the three months ended 31 March 2013.

The Group recorded net profit of approximately HK\$47.1 million, compared with a profit of approximately HK\$16.3 million for the previous financial period. The net profit was mainly attributable to the gain on disposal of Shengyi.

Looking Ahead

In recent years, there have been different levels of environmental issues exposed in various regions of the PRC, continuously boosting public awareness of environmental protection throughout the country and making the Chinese government to strive for integrated management enhancement of pollution prevention, energy conservation and emission reduction at the enterprise level. Benefited from the enormous support given by the government towards environmental related industry, the environmental sector is filled with promising development opportunities and clear direct guidelines, further fortified the Group's objective to develop the environmental related industry.

In 2014, the Group will continue to strengthen the existing business of Shengyan, proactively explore new business scope and continuously seek other suitable investment opportunities. In addition, the Group also plans to gradually open up its international market in coming years with an aim to promote its advanced environmental technology and concept worldwide.

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.

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

As at 31 March 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares and underlying shares of the Company

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

Notes:

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

Save as disclosed above, none of the Directors nor chief executives of the Company had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 March 2014.

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

As at 31 March 2014, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of Ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Zhongyu Group Holdings Limited (Note 1)	Beneficial owner	239,556,536	–	239,556,536	55.48%
Mr. Shan Xiaochang (Note 1)	Interest of a controlled corporation	239,556,536	–	239,556,536	55.48%
	Beneficial owner	–	35,000,000 (Note 2)	35,000,000	8.11%
		239,556,536	35,000,000	274,556,536	63.59%
Ms. Wu Shuhua (Note 3)	Interest of spouse	239,556,536	35,000,000	274,556,536	63.59%
Tong Heng Company Limited	Beneficial owner	230,000,000	–	230,000,000	53.27%
Mr. Yan Qiyu (Note 4)	Interest of a controlled corporation	230,000,000	–	230,000,000	53.27%

Notes:

- The entire issued share capital of Zhongyu Group Holdings Limited was solely and beneficially owned by Mr. Shan Xiaochang, the Chairman and the Chief Executive Officer and the executive Director, who is therefore deemed to be interested in the shares held by Zhongyu Group Holdings Limited.
- Total number of shares to be allotted and issued upon exercise in full of options under share scheme adopted by the Company on 8 July 2002. These share options were conditionally granted for Mr. Shan Xiaochang, the Chairman, the Chief Executive Officer and the executive Director on 2 September 2011. Such grants were approved by independent shareholders of the Company at the extraordinary general meeting of the Company on 20 October 2011.
- Ms. Wu Shuhua is the spouse of Mr. Shan Xiaochang and, under section 316 of the SFO, is therefore deemed to be interested in all 274,556,536 shares in which Mr. Shan Xiaochang is interested.
- Mr. Yan Qiyu holds approximately 69.69% interest in Tong Heng Company Limited and therefore is deemed to be interested in the 230,000,000 shares in which Tong Heng Company Limited is interested.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 March 2014.

SHARE OPTIONS

The Company operates a share option scheme for the purpose of to enable the Company to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. Eligible participants include any employees, directors, consultants or professional advisors, shareholders and suppliers or customers of the Group. The share option scheme became effective on 8 July 2002 (the “2002 Share Option Scheme”) was terminated and a new share option scheme (the “New Share Option Scheme”) was adopted at the annual general meeting held on 15 June 2012. Shares options granted prior to the expiry of the 2002 Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the 2002 Share Option Scheme. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. As at 31 March 2014, the Company had 56,200,000 (31 March 2013: 60,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 13.0% (31 March 2013: 13.9%) of its issued share capital on that date. No share option were granted under the New Share Option Scheme.

The maximum number of share issued and which may fall to be issued upon exercise of the share options granted under the share option scheme to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company. Any share option granted to a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders’ approval in general meeting of the Company.

The offer of a grant of share option under the share option scheme may be accepted, upon payment of a nominal consideration of HK\$1 in total by the grantee. A share option granted under the share option scheme may be exercised in whole or in part in the manner provided in the share option scheme by a grantee giving notice in writing to the Company at any time during a period not exceed 10 years from the date an share option granted under the share option scheme is offered.

The exercise price of the share options is a price determined by the Board, in its absolute discretion, but in any case is not less than whichever is the highest of (1) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant, which must be a trading day; (2) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (3) the nominal value of the Shares.

The following table discloses movements in the Company’s share options during the period:

Name or category of participant	Exercisable period	Exercise price per share of the Company HK\$	Outstanding at 1 January 2014	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 March 2014
Directors							
Mr. Shan Xiaochang	20 October 2011 to 1 September 2021	0.962	35,000,000	-	-	-	35,000,000
Others							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	-	-	-	21,200,000
			<u>56,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,200,000</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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code on Corporate Governance Practice as defined in the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Mr. Wang Jialian, Ms. Chan Sze Man and Mr. Ho Chun Kit Gregory who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31 March 2014 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, 13 May 2014

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