



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**



INTERIM REPORT 2013

## **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.**

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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 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 2013, together with the comparative figures as follows:

### Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2013

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Revenue</b>		<b>214,838</b>	158,903	<b>377,745</b>	361,362
Cost of sales		<b>(157,963)</b>	(124,697)	<b>(274,564)</b>	(281,829)
Gross profit		<b>56,875</b>	34,206	<b>103,181</b>	79,533
Other income and gains		<b>11,391</b>	6,734	<b>37,710</b>	11,324
Selling and distribution expenses		<b>(4,063)</b>	(7,543)	<b>(16,693)</b>	(12,613)
Administrative expenses		<b>(48,469)</b>	(30,892)	<b>(75,968)</b>	(62,768)
Other operating expenses		<b>(1,689)</b>	–	<b>(6,248)</b>	(102)
Finance costs	4	<b>(5,671)</b>	(6,449)	<b>(10,615)</b>	(11,995)
Fair value gain on derivative financial instrument		–	9,617	–	24,354
Profit before tax	5	<b>8,374</b>	5,673	<b>31,367</b>	27,733
Income tax	6	<b>(499)</b>	(1,378)	<b>(7,197)</b>	(4,768)
<b>Profit for the period</b>		<b>7,875</b>	4,295	<b>24,170</b>	22,965
<b>Other comprehensive income</b>					
– exchange differences on translating foreign operations		<b>3,423</b>	(1,431)	<b>7,738</b>	84
<b>Other comprehensive income for the period, net of tax</b>		<b>3,423</b>	(1,431)	<b>7,738</b>	84
<b>Total comprehensive income for the period</b>		<b>11,298</b>	2,864	<b>31,908</b>	23,049

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>(Loss)/profit for the period attributable to:</b>					
– owners of the Company		(2,074)	3,329	4,338	15,710
– non-controlling interests		9,949	966	19,832	7,255
		<u>7,875</u>	<u>4,295</u>	<u>24,170</u>	<u>22,965</u>
<b>Total comprehensive income attributable to:</b>					
– owners of the Company		(1,389)	1,633	8,006	14,752
– non-controlling interests		12,687	1,231	23,902	8,297
		<u>11,298</u>	<u>2,864</u>	<u>31,908</u>	<u>23,049</u>
<b>(Loss)/earnings per share attributable to ordinary equity holders</b>					
– basic ( <i>in cents</i> )	7	<u>(0.48)</u>	<u>0.77</u>	<u>1.00</u>	<u>3.64</u>
– diluted ( <i>in cents</i> )	7	<u>(0.48)</u>	<u>0.77</u>	<u>1.00</u>	<u>3.64</u>

**Condensed Consolidated Statement of Financial Position (Unaudited)***As at 30 June 2013*

		As at	
		30 June 2013	31 December 2012
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	84,324	361,330
Investment properties		–	34,569
Prepaid land lease payments		6,278	25,600
Intangible assets		5,170	8,508
Prepayment for acquisition of property, plant and equipment		5,278	5,167
Deferred tax assets		–	3,303
		<u>101,050</u>	<u>438,477</u>
Total non-current assets		----- 101,050	----- 438,477
<b>Current assets</b>			
Inventories		33,041	104,773
Construction contracts		10,460	9,735
Trade receivables	10	60,258	290,464
Prepayments, deposits and other receivables		53,825	73,590
Restricted bank deposits		3,506	49,117
Cash and bank balances		54,477	93,822
		<u>215,567</u>	<u>621,501</u>
Total current assets		----- 215,567	----- 621,501
<b>Assets held for sale</b>	11	<u>308,476</u>	–
		----- 308,476	----- –
<b>Total assets</b>		<u>625,093</u>	<u>1,059,978</u>
		----- 625,093	----- 1,059,978
<b>Current liabilities</b>			
Trade payables	12	13,742	273,547
Other payables and accruals		198,823	229,131
Interest-bearing bank and other borrowings		23,288	134,567
Convertible loan notes and embedded derivatives	13	35,851	30,926
Amounts due to directors		3,181	3,310
Amounts due to non-controlling interests of subsidiaries		–	65,121
Tax payable		9,594	4,780
		<u>284,479</u>	<u>741,382</u>
Total current liabilities		----- 284,479	----- 741,382
<b>Net current liabilities</b>		<u>(68,912)</u>	<u>(119,881)</u>
		----- (68,912)	----- (119,881)
<b>Total assets less current liabilities</b>		<u>340,614</u>	<u>318,596</u>
		----- 340,614	----- 318,596

		As at	
	<i>Note</i>	30 June 2013 <i>HK\$'000</i>	31 December 2012 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Unlisted warrants		5,151	5,151
Deferred tax liabilities		2,860	12,391
Total non-current liabilities		<u>8,011</u>	<u>17,542</u>
<b>NET ASSETS</b>		<b><u>332,603</u></b>	<b><u>301,054</u></b>
<b>EQUITY</b>			
Issued capital	14	4,318	4,318
Reserves		131,438	123,791
Equity attributable to owners of the Company		135,756	128,109
<b>Non-controlling interests</b>		<u>196,847</u>	<u>172,945</u>
<b>TOTAL EQUITY</b>		<b><u>332,603</u></b>	<b><u>301,054</u></b>

**Condensed Consolidated Statement of Changes in Equity (Unaudited)**  
*For the six months ended 30 June 2013*

	Share capital	Share premium	Property revaluation reserve	Statutory reserves	Share-based payment reserve	Merger reserve	Cumulative translation adjustment	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	(Note (a)) HK\$'000	HK\$'000	(Note (b)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 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
Share option lapsed	-	-	-	-	(955)	-	-	955	-	-	-
Dividend paid to non-controlling interest 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>
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	-	-	-	-	-	-	3,668	4,338	8,006	23,902	31,908
Share option lapsed	-	-	-	-	(2,423)	-	-	2,423	-	-	-
Transfer from retained earnings	-	-	-	13,240	-	-	-	(13,599)	(359)	-	(359)
At 30 June 2013	<u>4,318</u>	<u>165,417</u>	<u>11,293</u>	<u>26,068</u>	<u>22,149</u>	<u>2,441</u>	<u>26,977</u>	<u>(122,907)</u>	<u>135,756</u>	<u>196,847</u>	<u>332,603</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 2013*

	<i>Note</i>	<b>For the six months ended</b>	
		<b>2013</b>	<b>2012</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash from/(used in) operating activities		<b>94,797</b>	(753)
Net cash used in investing activities		<b>(41,021)</b>	(16,033)
Net cash (used in)/from financing activities		<b>(16,606)</b>	23,887
Net (decrease)/increase in cash and cash equivalents		<b>(37,170)</b>	7,101
Cash and cash equivalents at beginning of period		<b>93,822</b>	121,505
Effect of foreign exchange rate changes		<b>4,722</b>	(1,301)
Cash and cash equivalents at end of period		<b>135,714</b>	127,305
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances		<b>54,477</b>	127,305
Assets held for sale	11	<b>81,237</b>	–
		<b>135,714</b>	127,305



**Notes to Condensed Consolidated Financial Statements***For the six months ended 30 June 2013***1. GENERAL INFORMATION**

The Company is a limited liability company incorporated in Cayman Islands, and the issued shares of which are listed on GEM of the Stock Exchange. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

During the period, the Group was involved in the following principal activities:

- environmental protection related businesses
- manufacturing and sales of loudspeaker systems
- investment properties for rental income
- investment holding

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

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 2012.

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>
<b>For the six months ended 30 June 2013</b>				
Revenue from external customers <i>(Note (a))</i>	353,306	24,439	–	377,745
Reportable segment profit/(loss) <i>(Note (b)(i))</i>	<u>23,947</u>	<u>14,722</u>	<u>(7,302)</u>	<u>31,367</u>
Depreciation and amortisation	10,732	6,044	146	16,922
Interest income	325	63	–	388
Interest expense	2,596	8,019	–	10,615
Impairment loss on trade receivables	258	–	–	258
Income tax expense	1,014	6,183	–	7,197
Addition to non-current assets: – property, plant and equipment	<u>38,123</u>	<u>40</u>	<u>–</u>	<u>38,163</u>
<b>As at 30 June 2013</b>				
Reportable segment assets <i>(Note (b)(ii))</i>	308,476	270,334	46,283	625,093
Reportable segment liabilities <i>(Note (b)(iii))</i>	<u>–</u>	<u>210,517</u>	<u>81,973</u>	<u>292,490</u>

SUNRISE (CHINA) TECHNOLOGY GROUP LIMITED

	Manufacturing and sales of loudspeaker systems HK\$'000	Environment related business HK\$'000	Unallocated (Note (c)) HK\$'000	Consolidated HK\$'000
<b>For the six months ended 30 June 2012</b>				
Revenue from external customers (Note (a))	353,836	7,526	–	361,362
Reportable segment profit/(loss) (Note (b)(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>
<b>As at 31 December 2012</b>				
Reportable segment assets	766,132	238,220	55,626	1,059,778
Reportable segment liabilities	<u>486,768</u>	<u>236,478</u>	<u>35,678</u>	<u>758,924</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:

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A	<b>49,593</b>	44,622
Customer B	<b>45,752</b>	38,180

- (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 staff costs and other corporate expenses of the Group.
  - (ii) The amount mainly represents cash and bank balances and other corporate assets of the Group.
  - (iii) The amount mainly represents other payables, other borrowings and amounts due to directors of the Group.
- (c) Reconciliation represents unallocated corporate income and expenses, assets and liabilities as follows:

		<b>For the six months ended 30 June</b>	
		<b>2013</b>	<b>2012</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit before income tax expense</b>			
		38,669	33,108
		(146)	(144)
		(972)	(1,072)
		(6,184)	(4,159)
		<u>31,367</u>	<u>27,733</u>
<b>Profit before income tax expense</b>			
		<u>31,367</u>	<u>27,733</u>
		<b>As at</b>	
		<b>30 June</b>	<b>31 December</b>
		<b>2013</b>	<b>2012</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>			
		270,334	1,004,352
		308,476	–
	11	44,591	55,626
		<u>623,401</u>	<u>1,059,751</u>
		<u>623,401</u>	<u>1,059,751</u>
<b>Liabilities</b>			
		210,517	723,246
		80,281	35,678
		<u>290,798</u>	<u>758,924</u>
		<u>290,798</u>	<u>758,924</u>

**4. FINANCE COSTS**

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Interest on:				
– interest-bearing bank and other borrowings	3,151	4,492	5,976	8,050
– convertible loan notes	2,159	1,896	4,278	3,771
– discounted bills	361	61	361	174
	<u>5,671</u>	<u>6,449</u>	<u>10,615</u>	<u>11,995</u>

**5. PROFIT BEFORE TAX**

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Depreciation of property, plant and equipment	6,829	5,093	13,657	10,527
Amortisation of intangible assets	1,524	2,038	3,047	4,119
Amortisation of payments for leasehold land held for own use under operating leases	109	34	218	146
Impairment loss on/(reversal of) trade receivables	258	(506)	258	(506)
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)
	<u>–</u>	<u>(3,418)</u>	<u>–</u>	<u>(10,710)</u>

**6. INCOME TAX**

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 2013.

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

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Current tax				
– PRC Enterprise Income Tax	355	1,394	7,733	4,677
– (Over)/under provision in prior periods	144	(16)	(536)	91
Total tax charge for the period	<u>499</u>	<u>1,378</u>	<u>7,197</u>	<u>4,768</u>

## 7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
(Loss)/earnings				
Earnings for the purposes of basic and diluted (loss)/earnings per share	<u>(2,074)</u>	<u>3,329</u>	<u>4,338</u>	<u>15,710</u>
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u>431,765</u>	<u>431,765</u>	<u>431,765</u>	<u>431,765</u>

## 8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: HK\$Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had additions to property, plant and equipment of approximately HK\$38,163,000 and disposed of property, plant and equipment with net book value of approximately HK\$530,000.

## 10. TRADE RECEIVABLES

	As at	
	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Trade receivables		
– third parties	235,733	308,372
– related parties	<u>225</u>	<u>212</u>
	235,958	308,584
Less: Impairment	<u>(258)</u>	<u>(18,120)</u>
	<u>235,700</u>	<u>290,464</u>
Less: Assets held for sale	<u>(175,442)</u>	<u>–</u>
	<u>60,258</u>	<u>290,464</u>

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

	As at	
	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Within 90 days	147,928	228,612
91 – 180 days	23,296	23,129
181 – 365 days	37,525	38,723
More than 365 days	26,951	–
	<u>235,700</u>	<u>290,464</u>

## 11. ASSETS HELD FOR SALE

Reference is made to the announcements of the Company dated 9 May 2013, 9 June 2013, 27 June 2013, 28 June 2013 and 18 July 2013 in relation to the Very Substantial Disposal and Connected Transaction. On 2 May 2013, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to dispose of the Sale Shares and the Sale Loan of Taraki Inc. and its subsidiaries (the “Disposal Group”) to the Purchaser and the Purchaser conditionally agreed to acquire the Sale Shares and the Sale Loan from the Company at an aggregate consideration of HK\$122,000,000. The ordinary resolution for such disposal was approved in an extraordinary general meeting held on 18 July 2013 and the transaction was completed on the same date.

Accordingly, the Disposal Group is recorded as assets held for sale on the condensed consolidated statement of financial position of the Company, in which the total amount comprises the following items:

	Notes	As at 30 June 2013 HK\$'000
Property, plant and equipment		313,109
Investment properties		35,310
Prepaid land lease payment		19,496
Intangible assets		930
Deferred tax assets		3,374
Inventory		142,205
Trade receivables	10	175,442
Prepayments deposits and other receivables		58,656
Restricted bank deposits		89,419
Cash and bank balances		81,237
<b>Total assets</b>		<u>919,178</u>
Trade payables	12	(295,252)
Other payables and accruals		(136,662)
Interest-bearing bank borrowings		(39,862)
Amounts due to non-controlling interests of subsidiaries		(128,966)
Tax payable		(1,025)
Deferred tax liabilities		(8,935)
<b>Total liabilities</b>		<u>(610,702)</u>
		<u>308,476</u>

**12. TRADE 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 2013 <i>HK\$'000</i>	31 December 2012 <i>HK\$'000</i>
Within 30 days	108,076	95,897
31 – 90 days	122,473	122,463
91 – 180 days	64,134	46,077
181 – 365 days	14,061	8,840
More than 365 days	250	270
	<u>308,994</u>	<u>273,547</u>
Less: Assets held for sale	<u>(295,252)</u>	<u>–</u>
	<u><b>13,742</b></u>	<u><b>273,547</b></u>

**13. CONVERTIBLE LOAN NOTES AND EMBEDDED DERIVATIVES**

The movement of the liability component and embedded derivatives is set out as follows:

	Liability component <i>HK\$'000</i>	Embedded derivatives <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012	24,776	15,837	40,613
Imputed interest charged	7,970	–	7,970
Interest paid	(4,859)	–	(4,859)
Gain arising from fair value change	–	(12,927)	(12,927)
Exchange realignment	129	–	129
	<u>28,016</u>	<u>2,910</u>	<u>30,926</u>
At 31 December 2012 and 1 January 2013	<b>28,016</b>	<b>2,910</b>	<b>30,926</b>
Imputed interest charged	4,278	–	4,278
Exchange realignment	647	–	647
	<u>32,941</u>	<u>2,910</u>	<u>35,851</u>
At 30 June 2013	<u><b>32,941</b></u>	<u><b>2,910</b></u>	<u><b>35,851</b></u>



**14. SHARE CAPITAL**

	'000	HK\$ '000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31 December 2012 and 30 June 2013	20,000,000	200,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 31 December 2012 and 30 June 2013	431,765	4,318

**15. CAPITAL COMMITMENT**

	As at 30 June 2013 HK\$'000	31 December 2012 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements	12,563	35,420

**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	
	2013 HK\$'000	2012 HK\$'000
Sonavox Electronics (Suzhou Industrial Park) Company Limited ("SSIP") – sales of goods	206	464

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

	As at	
	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Amount due to Suzhou City Xiangchen District Yuanhe Town Collective Assets Operation Company, a non-controlling shareholder of a subsidiary	(2,828)	(3,143)
Amount due to Wuxian City Likou Town Collective Assets Operation Company, a non-controlling shareholder of a subsidiary	(659)	(646)
Trade receivables from SSIP	225	212

## 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. Shengyan has one main plant and thirty sub-plants located at the Baiquan County of Heilongjiang Province and a production capacity of approximately 200,000 tonnes per year. Since established in 2010, Shengyan has developed into a sizeable corporation with healthy operation, and it has received the subsidy of 2011 granted by the Ministry of Finance of the State Council in relation to the straw integrated utilization project with a total amount of RMB18.8 million (equivalent to approximately HK\$23.6 million) which was recorded in February 2013. According to the website of the Ministry of Finance of the PRC publishing the list of companies who had been granted straw energy utilization subsidy, Shengyan was the largest straw utilization manufacturer in Heilongjiang Province in terms of annual sales in 2011. For the second quarter of this year, Shengyan has recorded a sales income of approximately HK\$5.1 million and a gross profit of approximately HK\$1.6 million, which decreased comparing with those of the first quarter (HK\$19.3 million and HK\$6.8 million respectively). Since the products of Shengyan are mainly used for heat generation, market demand is usually low in summer and the Company believes that sales will recover in the coming autumn and winter.

#### Jiangsu Shengyi Environmental Technology Company Limited (“Shengyi”)

Shengyi is principally engaged in the provision of technological desulphurization service, which can effectively reduce sulfur dioxide and hydrogen sulfide emissions generated from burning of fossil fuels such as coal, natural gas and oil products. Since there is a slowdown in overall economic growth during the past months and many traditional chemical manufacturers are suffering from cash flow shortages, existing contracts of Shengyi are experiencing slow progress. Shengyi has not recorded any sales income and profit for this period.

#### Sonavox

For the second quarter of 2013, the manufacturing and sales of loudspeaker business (“Sonavox”) has recorded a revenue of HK\$209.7 million (2012: HK\$164.4 million) and a gross profit of HK\$55.2 million (2012: HK\$35.5 million), which are 27.6% and 55.5% more than those of the corresponding period of last year, respectively.

Reference is made to the announcements of the Company dated 9 May 2013, 9 June 2013, 27 June 2013, 28 June 2013 and 18 July 2013 in relation to the Very Substantial Disposal and Connected Transaction. On 2 May 2013, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to dispose of the Sale Shares and the Sale Loan of Taraki Inc. and its subsidiaries to the Purchaser and the Purchaser conditionally agreed to acquire the Sale Shares and the Sale Loan from the Company at an aggregate consideration of HK\$122,000,000. The ordinary resolution for such disposal was approved in an extraordinary general meeting held on 18 July 2013 and the transaction was completed on the same date.

### Financial Review

During the period under review, the Group recorded an improvement in turnover of 4.5% to approximately HK\$377.7 million (2012: HK\$361.4 million). For the six months ended 30 June 2013, sales of loudspeaker systems slightly decreased to approximately HK\$353.3 million (2012: HK\$353.8 million). The Group has commenced its environmental protection related businesses since 2011. Revenue generated from such businesses amounted to HK\$24.4 million for the six months ended 30 June 2013. The Group's gross profit ratio slightly increased to 34.4% for the period ended 30 June 2013 (2012: 26.0%).

During the six months ended 30 June 2013, the Group recorded net profit of approximately HK\$24.2 million (2012: HK\$23.0 million). Such net profit was mainly attributable to (i) Shengyan's subsidy of RMB18.8 million (equivalent to approximately HK\$23.6 million) (2012: fair value gain on derivative financial instruments of approximately HK\$13.2 million); and (ii) the profit generated from the principal businesses of the Group.

### Prospects

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 protection related industry, the environmental protection sector is filled with promising development opportunities and clear direct guidelines, further fortified the Group's objective to develop the environmental protection related industry.

In 2013, the Group will continue to strengthen the existing environmental protection businesses, proactively explore new business scope and continuously seek other suitable investment opportunities.

Besides, the Group will continue to strictly control risks, strengthen internal management, integrate dominant resources and develop a cautious investment strategy in order to create a better return for its shareholders.

### 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 2013, the Group had cash and bank balances together with restricted and pledged bank deposits of approximately HK\$135.7 million (31 December 2012: HK\$142.9 million), which included a total amount of HK\$81.2 million recorded in assets held for sale. As at 30 June 2013, the Group's total indebtedness comprised of convertible loan notes and the bank and other borrowings with aggregate amount of approximately HK\$96.1 million (31 December 2012: HK\$162.6 million), which included a total amount of HK\$39.9 million recorded in assets held for sale.

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. The short-term bank loans were denominated in Renminbi and bore interest rates ranging from 5.4% to 6.9% per annum with repayment within a year, whereas the other loan, denominated in Hong Kong Dollars, bore interest rate of 17.6% per annum plus administrative cost of 10% per annum and was due on 17 June 2013. The Company is currently in negotiation with the lenders of convertible loan notes and other loan, respectively, to extend the early redemption date of convertible loan notes and the repayment date of other loan; and until now, there is no final conclusion made.

As at 30 June 2013, the Group's current liabilities exceeded its current assets by approximately HK\$68.9 million (31 December 2012: HK\$119.9 million). Reference is made to the announcements of the Company dated 9 May 2013, 9 June 2013, 27 June 2013, 28 June 2013 and 18 July 2013 in relation to the Very Substantial Disposal and Connected Transaction. On 2 May 2013, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to dispose of the Sale Shares and the Sale Loan of Taraki Inc. and its subsidiaries to the Purchaser and the Purchaser conditionally agreed to acquire the Sale Shares and the Sale Loan from the Company at an aggregate consideration of HK\$122,000,000. The ordinary resolution for such disposal was approved in an extraordinary general meeting held on 18 July 2013 and the transaction was completed on the same date. The cash consideration received by the Company after period end is expected to improve the Group's overall financial and cash flow positions.

As at 30 June 2013, the Group's outstanding number of issued shares of HK\$0.01 each was 431,764,974 shares (31 December 2012: 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 2013 was 22.4% (31 December 2012: 34.4%).

#### **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 2013, 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 2013, 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 2013, the Group had about 2,579 (2012: 2,599) employees including directors. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK\$92,321,000 (2012: HK\$70,783,000).

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.

**Pledge on Assets**

As at 30 June 2013, the Group's certain leasehold land and buildings and investment properties with aggregate carrying amount of approximately HK\$119.1 million (31 December 2012: HK\$116.3 million) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2013, bank deposits of HK\$89.4 million (31 December 2012: HK\$49.1 million) were pledged to secure the banking facilities granted to the Group, which were recorded in assets held for sale.

**Contingent Liabilities**

As at 30 June 2013, the Group did not have any material contingent liabilities (31 December 2012: 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 2013, 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 2013.

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

As at 30 June 2013, 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 2013.

## 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 2013, the Company had 56,200,000 (31 December 2012: 62,700,000) share options outstanding under the share option scheme adopted by the Company on 8 July 2002, which represented approximately 13.0% (31 December 2012: 13.9%) 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 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2013
<b>Directors</b>							
Mr. Shan Xiaochang	20 October 2011 to 1 September 2021	0.962	35,000,000	-	-	-	35,000,000
<b>Employees (other than Directors)</b>							
In aggregate	2 September 2011 to 1 September 2021	0.962	4,000,000	-	-	(4,000,000)	-
<b>Others</b>							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	-	-	-	21,200,000
			<u>60,200,000</u>	<u>-</u>	<u>-</u>	<u>(4,000,000)</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.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no 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 2013.

## 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 2013, 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 18 June 2013 (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 Ms. Chan Sze Man, Mr. Wang Jialian and Mr. Wang Zihua who are the independent non-executive Directors.

The Group's unaudited results for the six months ended 30 June 2013 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, 12 August 2013

*As at the date of this report, the Board comprises six Directors namely Mr. Shan Xiaochang, Ms. Shan Zhuojun and Mr. Ma Arthur On-hing, being the executive Directors, and Mr. Wang Jialian, Mr. Wang Zihua and Ms. Chan Sze Man, being the independent non-executive Directors.*