



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 2016

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

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This report, for which the directors (the “Directors”) of Sunrise (China) Technology Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2016, 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 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Revenue	3	31,499	28,788
Cost of sales		(31,266)	(28,630)
Gross profit		233	158
Other income and gains	3	12,298	973
Selling and distribution expenses		(27)	–
Administrative expenses		(7,083)	(7,159)
Other operating expenses	4	(18,567)	(1,017)
Finance costs		(1,946)	(3,809)
Share of loss of associates		(41)	–
Loss before tax		(15,133)	(10,854)
Income tax credit	5	–	6
Loss for the period		(15,133)	(10,848)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations			
– Exchange differences arising during the period		54	101
Other comprehensive income for the period		54	101
Total comprehensive expense for the period		(15,079)	(10,747)

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the period attributable to:			
Owners of the Company		(14,679)	(10,172)
Non-controlling interests		(454)	(676)
		<u>(15,133)</u>	<u>(10,848)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(14,651)	(10,031)
Non-controlling interests		(428)	(716)
		<u>(15,079)</u>	<u>(10,747)</u>
Loss per share	6		
Basic		<u>HK(1.29) cents</u>	<u>HK(1.96) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the three months ended 31 March 2016

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Convertible bonds reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2015	4,318	165,417	-	22,149	2,091	(148,639)	45,336	(14,737)	30,599
Total comprehensive income/(expense) for the period	-	-	-	-	141	(10,172)	(10,031)	(716)	(10,747)
Issue of shares upon share placement	863	28,451	-	-	-	-	29,314	-	29,314
Share options forfeited during the period	-	-	-	(14,739)	-	14,739	-	-	-
Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	38	38
At 31 March 2015	<u>5,181</u>	<u>193,868</u>	<u>-</u>	<u>7,410</u>	<u>2,232</u>	<u>(144,072)</u>	<u>64,619</u>	<u>(15,415)</u>	<u>49,204</u>
At 1 January 2016	11,375	378,871	74,286	7,410	1,123	(368,090)	104,975	(45,466)	59,509
Total comprehensive income/(expense) for the period	-	-	-	-	28	(14,679)	(14,651)	(428)	(15,079)
Increase in non-controlling interests arising on disposal of subsidiaries	-	-	-	-	-	-	-	8,336	8,336
Transfer to retained earnings on disposal of a subsidiary	-	-	-	-	(1,288)	(34,029)	(35,317)	35,317	-
At 31 March 2016	<u>11,375</u>	<u>378,871</u>	<u>74,286</u>	<u>7,410</u>	<u>(137)</u>	<u>(416,798)</u>	<u>55,007</u>	<u>(2,241)</u>	<u>52,766</u>

Notes to Condensed Consolidated Financial Statements (Unaudited)

For the three months ended 31 March 2016

1. GENERAL

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

The accounting policies and method of computation used in preparing the financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2015.

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

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover recognised for the period, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and sales related taxes.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Sales of goods	31,499	28,788
Total revenue	<u>31,499</u>	<u>28,788</u>
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other income and gains		
Gain on disposal of subsidiaries	11,676	–
Interest income from		
– loans receivable	359	–
– bank deposits	–	1
Exchange gain, net	205	–
Rental income	53	–
Others	5	972
Total other income and gains	<u>12,298</u>	<u>973</u>

4. OTHER OPERATING EXPENSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss on change in fair value of financial assets at fair value through profit or loss		
Net unrealised loss on listed securities held for trading	13,711	–
Net realised loss on sale of listed securities held for trading	4,856	–
Loss on disposal of subsidiaries	–	469
Exchange loss, net	–	91
Others	–	457
	<u>18,567</u>	<u>1,017</u>

5. INCOME TAX CREDIT

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deferred tax credit	—	(6)
Total tax credit for the period	<u>—</u>	<u>(6)</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.

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

6. LOSS PER SHARE

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic loss per share		
Loss for the period attributable to owners of the Company	(14,679)	(10,172)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	<u>1,037</u>	—
Loss for the purpose of diluted loss per share	<u>N/A</u>	<u>N/A</u>
Number of shares		
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic loss per share	1,137,529	518,117
Effect of dilutive potential ordinary shares:		
Convertible bonds	<u>191,273</u>	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,328,802</u>	<u>518,117</u>

Diluted loss per share for the three months ended 31 March 2016 and 31 March 2015 are not presented because the Group sustained a loss for each of these periods and the impact of conversion of convertible bonds and exercise of share options and unlisted warrants is regarded as anti-dilutive.

7. DIVIDENDS

No dividend was paid or proposed during the three months ended 31 March 2016, nor has any dividend been proposed since the end of the reporting date (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Manufacture and Sales of Straw Briquettes

The Group's non wholly-owned subsidiary, Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan"), was incorporated in the PRC in July 2010 with a registered capital of RMB30 million and is principally engaged in the production and sales 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 customers of Shengyan mainly consist of companies located at Heilongjiang Province in the PRC, who engage in agriculture and manufacturing, and purchase the straw fuel briquettes for different usage such as heat generation. Revenue of Shengyan is mainly derived from the sales of straw fuel briquettes through sales orders from customers, Shengyan purchases raw straw directly from various local farmers in the Baiquan County of Heilongjiang Province.

During the period, Shengyan faced severe challenges in the market demand of its straw fuel briquettes due to the increase in coal consumption as coal price dropped sharply during the year 2014 and 2015. Revenue generated from Shengyan decreased to a minimal level for the year ended 31 December 2015. The production plants are currently shut down due to a shortage of operating fund. In view of Shengyan's adverse business condition, the Company disposed of Rich Share Global Limited and its subsidiaries including Shengyan at an aggregate consideration of HK\$3 million. The disposal was completed on 30 March 2016.

Trading of Commodities

During this quarter, a total of 6,730 metric tonnes (2015: 4,850 metric tonnes) of crude palm oil was traded, contributing an aggregate revenue of approximately HK\$30.4 million (2015: HK\$25.3 million) to the Group. The Group's trading in crude palm oil is carried out on a trade-by-trade basis. The Group will negotiate with suppliers and customers in order to achieve a better profit margin in future trade transactions.

Trading of Garment Accessories

This operation commenced in the first quarter of 2015 and has been developing moderately. It contributed approximately HK\$0.5 million (2015: HK\$3.5 million) to the Group's revenue for the three months ended 31 March 2016. As the Group is actively looking for new customers, the Group expects that it will achieve better growth in the coming periods.

Manufacture and Sales of LED Digital Display Products

To strengthen and diversify the Group's revenue base, the Group established Dongguan Guss Optoelectronics Co., Ltd. to engage in manufacture and sales of LED digital display products in the third quarter of 2015. LED digital display products are widely applied in TV advertising screen and display screens of control system of a variety of electric appliances such as mobile phones, televisions, notebooks, tablets and automobile interfaces.

This operation contributed approximately HK\$0.6 million to the Group's revenue. The Board expects that it will bring a stable income to the Group in the coming periods.

Investment in Securities

This business activity commenced in the third quarter of 2015. The investment scope includes short-term investments in listed securities in Hong Kong and other recognised overseas securities markets as well as other related investment products offered by banks and financial institutions.

As at 31 March 2016, the Group holds approximately HK\$15.9 million of equity investments which are classified as held for trading. As the overall market condition of the Hong Kong stock market worsen in the first quarter of 2016, the Group recorded an unrealised loss and a realised loss of approximately HK\$13.7 million and HK\$4.9 million respectively. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

Interests in Associates – Limousine Service

Last year, the Group acquired 30% equity interest of Summus Limousine Services Limited, a company incorporated in Hong Kong which is engaged in the limousine service business. The equity interest is classified as investment in associate.

FINANCIAL REVIEW

For the three months ended 31 March 2016, the turnover of the Group increased to approximately HK\$31.5 million (2015: HK\$28.8 million), representing an increase of approximately 9.4% when compared with that of 2015. The increase in turnover was mainly driven by the trading of commodities business.

The Group disposed of Rich Share Global Limited and its subsidiaries including Shengyan in this quarter, the aggregate consideration was HK\$3.0 million. As HK\$8.7 million of liability originally shared by the Group was released upon the disposal, the Group recorded a gain of approximately HK\$11.7 million from the disposal.

The Group recorded a net loss of approximately HK\$15.1 million for the current period, compared with a net loss of approximately HK\$10.8 million for the same period of last year. Such loss was mainly attributable to the realised loss on sale of listed securities held for trading of approximately HK\$4.9 million and the unrealised loss on listed securities held for trading of approximately HK\$13.7 million respectively.

LOOKING AHEAD

In 2016, the Board will continue to develop current businesses and at the same time proactively explore new business areas and seek suitable investment opportunities.

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

LEGAL PROCEEDING

Reference is made to the Company's announcement dated 25 July 2014 in relation to the writ of summons received by the Company. It was alleged in the Writ that a total sum of HK\$10,000,000 was advanced by Total Shares Limited (the "Plaintiff") to Mr. Shan Xiaochang ("Mr. Shan"), the former Board Chairman and Chief Executive Officer, pursuant to a loan agreement (the "Loan Agreement") dated 9 August 2013 made between the Plaintiff as the lender and Mr. Shan as the borrower, the repayment of which was guaranteed by the Company as a guarantor by a guarantee (the "Guarantee") signed by the Company in favour of the Plaintiff dated 9 August 2013. The amount of the claim specified in the Writ was HK\$10,000,000 plus the accrued unpaid interest under the Loan Agreement and other interest.

As no meeting at the Board or shareholders of the Company was held to approve the Guarantee or authorise any Director to sign the Guarantee for and on behalf of the Company, the Board is of the view that the Guarantee is not binding on or enforceable against the Company and the Claim has no merit against the Company. The Company has been advised by the Counsel that the Company shall have a good defence to the case and shall not be liable to the Plaintiff's claim.

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

None of the Directors nor chief executives of the Company had interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 March 2016.

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

As at 31 March 2016, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions in ordinary shares and underlying shares of the Company

Name	Capacity	Number of Ordinary shares held	Number of underlying shares held	Total	Percentage of issued share capital of the Company
Ms. Wong Ka Man	Beneficial owner	139,794,315	326,315,790 (Note)	466,110,105	40.98%
Like Capital Limited	Beneficial owner	305,263,157	–	305,263,157	26.84%
Concept Capital Management Limited	Beneficial owner	–	136,565,381	136,565,381	12.01%

Note:

These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company, provided that:

- (i) any conversion of the convertible bonds will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder and any parties acting in concert with it (as defined in the Takeovers Code); and
- (ii) the exercise of the convertible bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules.

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 2016.

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. Ho Chun Kit Gregory, Mr. Ho Wai Shing and Mr. Hung Cho Sing who are the independent non-executive Directors.

The Group's unaudited results for the three months ended 31 March 2016 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
Ma Arthur On-hing
Executive Director

Hong Kong, 13 May 2016

As at the date of this report, the Board comprises eight Directors namely Mr. Ma Arthur On-hing, Mr. Shan Biao, Mr. Mui Wai Sum, Ms. Kwan Kar Ching and Ms. Hsin Yi-Chin, being the executive Directors and Mr. Ho Chun Kit Gregory, Mr. Ho Wai Shing and Mr. Hung Cho Sing, being the independent non-executive directors.