



中星科技集團有限公司

Sunrise (China) Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8226

GREEN ENERGY towards Sustainable Development

THIRD 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 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 nine months ended 30 September 2016, together with the comparative figures as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the nine months ended 30 September 2016

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Revenue		1,067	27,787	59,468	59,416
Cost of sales		(1,002)	(27,504)	(55,404)	(58,945)
Gross profit		65	283	4,064	471
Other income and gains	3	3,565	7,546	13,571	8,521
Loss on issue of convertible bonds		—	(161,734)	—	(161,734)
Selling and distribution expenses		(47)	(14)	(124)	(15)
Administrative expenses		(6,367)	(10,597)	(21,821)	(27,307)
Other operating expenses	4	(7,390)	(14,444)	(22,038)	(40,858)
Finance costs		(1,453)	(3,488)	(5,343)	(10,363)
Share of loss of associates		(21)	(55)	(91)	(55)
Loss before tax		(11,648)	(182,503)	(31,782)	(231,340)
Income tax	5	—	5	—	16
Loss for the period	8	(11,648)	(182,498)	(31,782)	(231,324)
Other comprehensive income/(expense)					
Exchange differences on translating foreign operations		26	(354)	(104)	(399)
Other comprehensive income/(expense) for the period		26	(354)	(104)	(399)
Total comprehensive expense for the period	8	(11,622)	(182,852)	(31,886)	(231,723)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016	2015	2016	2015
		HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Loss for the period attributable to:					
Owners of the Company		(9,501)	(174,953)	(28,756)	(207,862)
Non-controlling interests		(2,147)	(7,545)	(3,026)	(23,462)
		(11,648)	(182,498)	(31,782)	(231,324)
Total comprehensive expense for the period attributable to:					
Owners of the Company		(9,488)	(176,582)	(28,809)	(209,464)
Non-controlling interests		(2,134)	(6,270)	(3,077)	(22,259)
		(11,622)	(182,852)	(31,886)	(231,723)
Loss per share					
— Basic (in cents)	6	(0.70)	(23.13)	(2.36)	(35.15)
— Diluted (in cents)		N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2016

	Share capital	Share premium account	Convertible bonds reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	HK\$'000	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 expense for the period	—	—	—	—	(1,602)	(207,862)	(209,464)	(22,259)	(231,723)
Non-controlling interest arising from acquisition of subsidiaries	—	—	—	—	—	—	—	38	38
Recognition of the equity component of convertible bonds	—	—	191,706	—	—	—	191,706	—	191,706
Issue of shares upon:									
Share placement	1,899	72,882	—	—	—	—	74,781	—	74,781
Conversion of convertible bonds	5,158	142,818	(117,420)	—	—	—	30,556	—	30,556
Share issue expenses	—	(2,246)	—	—	—	—	(2,246)	—	(2,246)
Share option forfeited during the period	—	—	—	(14,739)	—	14,739	—	—	—
At 30 September 2015 (Restated)	11,375	378,871	74,286	7,410	489	(341,762)	130,669	(36,958)	93,711
At 1 January 2016	11,375	378,871	74,286	7,410	1,123	(368,090)	104,975	(45,466)	59,509
Total comprehensive expense for the period	—	—	—	—	(53)	(28,756)	(28,809)	(3,077)	(31,886)
Issue of shares upon share placement	2,275	33,670	—	—	—	—	35,945	—	35,945
Share issue expenses	—	(1,081)	—	—	—	—	(1,081)	—	(1,081)
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 30 September 2016	13,650	411,460	74,286	7,410	(218)	(430,875)	75,713	(4,890)	70,823

Notes to Condensed Consolidated Financial Statements

For the nine months ended 30 September 2016

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.

The Company is principally engaged in investment holding. The principal activities of the Company's principal subsidiaries are set out as follow:

- Securities investment
- Manufacture and sales of straw briquettes (disposed in the first quarter of 2016)
- Trading of commodities
- Trading of garment accessories
- Manufacture and sales of LED digital display products

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 and Significant Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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, which 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. Other income and gains

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange gain, net	4	—	210	—
Gain on change in fair value of financial assets at fair value through profit or loss				
— Net unrealised gain on listed securities held for trading	—	7,546	—	7,546
— Net realised gain on sale of listed securities held for trading	2,886	—	—	—
Gain on disposal of subsidiaries	—	—	11,676	—
Interest income from				
— Loans receivable	363	—	1,081	—
— Bank deposits	—	—	—	3
Rental income	52	—	159	—
Others	260	—	445	972
	3,565	7,546	13,571	8,521

4. Other operating expenses

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	1,142	—	2,586	—
— Net realised loss on sale of listed securities held for trading	—	1,441	13,204	1,910
Loss on disposal of associates	204	—	204	—
Impairment loss recognised in respect of:				
— Property, plant and equipment	—	8,390	—	31,026
— Investments in associates	2,500	—	2,500	—
— Inventories	—	—	—	430
— Trade receivables	3,544	1,385	3,544	3,616
— Other receivables	—	2,960	—	3,356
— Goodwill	—	—	—	400
Others	—	268	—	120
	7,390	14,444	22,038	40,858

5. Income Tax

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax credit	—	(5)	—	(16)

No provision for Hong Kong profits tax has been made for all periods presented as the Group did not generate any assessable profits arising in Hong Kong during those periods.

6. Loss Per Share

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Loss				
Loss for the purposes of basic loss per share	(9,501)	(174,953)	(28,756)	(207,862)
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds	1,216	1,721	3,302	1,721
Loss for the purposes of diluted loss per share	N/A	N/A	N/A	N/A
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic loss per share	1,365,029	756,304	1,218,898	591,313
Effect of dilutive potential ordinary shares:				
Unlisted warrants	—	53,848	—	37,547
Convertible bonds	151,002	262,209	172,879	249,577
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,516,031	1,072,361	1,391,777	878,437

Diluted loss per share is not presented because the Group sustained a loss for each of these periods and the impact of convertible bonds and exercise of share options and unlisted warrants is regarded as anti-dilutive.

7. Dividends

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2016 (2015: HK\$Nil).

8. Comparative Figures

On 16 July 2015, the Company issued 3% convertible bonds due on 15 July 2018 at the principal amount of HK\$80,000,000. The fair value of the convertible bonds at the date of issue was miscalculated by Valuer and wrongly recognised in the third quarterly result of last year.

In preparing the current period's financial statements, the comparative figures of "Loss on issue of convertible bonds", "Administrative expenses" and "Finance costs" in the Statement of Profit or Loss and Other Comprehensive Income have been adjusted to correct it:

	Loss HK\$'000	Total comprehensive expense HK\$'000
For the nine months ended 30 September 2015		
before adjustment:	70,069	70,468
— Understated loss on issue of convertible bonds	161,734	161,734
— Understated interests on convertible bonds	1,022	1,022
— Overstated issuance cost of convertible bonds	(1,501)	(1,501)
For the nine months ended 30 September 2015		
after adjustment:	231,324	231,723

"Equity component of convertible bonds" and "Issue of shares upon conversion of convertible bonds" in the Statement of Changes in Equity are restated accordingly.

Apart from this, certain comparative amounts have been restated to conform with the current period's presentation and disclosure.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 30 September 2016, the Group's business was organised in five segments namely (i) Securities investment; (ii) Manufacture and sales of straw briquettes; (iii) Trading of commodities; (iv) Trading of garment accessories; and (v) Manufacture and sales of LED digital display products.

Securities Investment

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 30 September 2016, the Group holds approximately HK\$16.4 million of equity investments which are classified as held-for-trading investments. As the overall market condition of the Hong Kong stock market worsen from the first quarter of 2016, the Group recorded an unrealised loss and a realised loss of approximately HK\$2.6 million and HK\$13.2 million respectively for the nine months ended 30 September 2016. The Board expects that this business activity can generate additional investment returns on available funds of the Company from time to time.

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.

In the first quarter of this year, 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

For the nine months ended 30 September 2016, the aggregate revenue generated from the trading of commodities amounted to approximately HK\$56.4 million, representing an increase of approximately 15.6% as compared to last year (2015: HK\$48.8 million).

(a) *Trading of Fertilizer*

For the nine months ended 30 September 2016, the Group sold 6,540 metric tonnes of compound fertilizer and 2,600 metric tonnes of organic fertilizer for HK\$26.0 million. It contributed approximately HK\$3.7 million of gross profit to the Group.

(b) *Trading of Palm Oil*

For the nine months ended 30 September 2016, a total of 6,730 metric tonnes (2015: 9,670 metric tonnes) of crude palm oil was traded, contributing an aggregate revenue of approximately HK\$30.4 million (2015: HK\$48.8 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. In view of the market downturn, cutting prices by the competitors led to the operation's suspension in the second and third quarters of this year. For the nine months ended 30 September 2016, there was a drop in the revenue to approximately HK\$0.5 million (2015: HK\$10.1 million), representing a decrease of approximately 95% as compared to last year. In addition, a provision for impairment on trade receivable of approximately HK\$3.5 million was made. The Board will continue to monitor the business closely, and may consider changing the Group's business focus by developing other businesses and segments.

Manufacture and Sales of LED Digital Display Products

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. This operation has been steadily developing. For the nine months ended 30 September 2016, the revenue was approximately HK\$2.6 million (2015: HK\$0.5 million). The Board expects it to bring stable income to the Group in future periods.

Financial Review

For the nine months ended 30 September 2016, the Group's revenue slightly increased to approximately HK\$59.5 million compared with approximately HK\$59.4 million recorded last year.

The Group disposed of Rich Share Global Limited and its subsidiaries including Shengyan, 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 disposed of 30% equity interest of Summus Asia Limited in this quarter for the aggregate consideration of approximately HK\$2.1 million. The equity interest was classified as investment in associates. After a provision for impairment of HK\$2.5 million recognised, the Group recorded a loss of approximately HK\$0.2 million from the disposal.

Loss for the period was approximately HK\$31.8 million (2015: HK\$231.3 million). Such decrease in loss was mainly attributable to the loss on issue of convertible bonds of approximately HK\$161.7 million and impairment loss of approximately HK\$38.8 million recognised in last period.

Looking Ahead

In the coming period, 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 30 September 2016.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 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 1)	466,110,105	34.15%
Like Capital Limited (Note 2)	Beneficial owner	305,263,157	—	305,263,157	22.36%

Notes:

- These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company, provided that:
 - 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
 - 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.
- The entire issued share capital of Like Capital Limited is wholly and beneficially owned by Capital VC Limited.

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 September 2016.

Share Options

The share option scheme 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 and became effective for a period of 10 years commencing from 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. As at 30 September 2016, the Company had 21,200,000 (31 December 2015: 21,200,000) share options outstanding under the 2002 Share Option Scheme, which represented approximately 1.6% (31 December 2015: 1.9%) of its issued share capital on that date. No share option was granted under the New Share Option Scheme.

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 2016	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 September 2016
Others							
In aggregate	25 November 2010 to 24 November 2020	0.666	21,200,000	—	—	—	21,200,000

Directors’ Rights to Acquire Shares or Debentures

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

Directors’ Interest in Competing Business

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

Save for the placements and Placing Shares as disclosed in the announcements of the Company dated 8 June 2016 and 24 June 2016, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the nine months ended 30 September 2016.

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 exclusively of independent non-executive Directors.

The Group's unaudited results for the nine months ended 30 September 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
Kwan Kar Ching
Chairlady

Hong Kong, 11 November 2016

As at the date of this report, the Board comprises seven Directors namely Ms. Kwan Kar Ching, Mr. Ma Arthur On-hing, Mr. Mui Wai Sum and Ms. Hsin Yi-Chin, being the executive Directors and Mr. Hung Cho Sing, Mr. Luk Kin Ting and Ms. Wong Ka Yan, being the independent non-executive Directors.