中昱科技集團有限公司
Sunrise (China) Technology Group Limited
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8226)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement 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 announcement misleading.

The board of directors (the "Board") of the Company announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012, together with the comparative figures as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
REVENUE	5	**875,577**	724,008
Cost of sales		**(689,999)**	(575,540)
Gross profit		**185,578**	148,468
Other income and gains	5	**33,088**	12,785
Selling and distribution expenses		**(32,879)**	(23,475)
Administrative expenses		**(156,962)**	(129,410)
Other operating expenses		**(14,116)**	(18,242)
Finance costs	6	**(25,820)**	(10,428)
Fair value gains/(losses) on derivative financial instruments		**22,512**	(13,179)
PROFIT/(LOSS) BEFORE TAX	7	**11,401**	(33,481)
Income tax	8	**(7,496)**	(9,162)
PROFIT/(LOSS) FOR THE YEAR		**3,905**	(42,643)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**3,733**	1,797
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**3,733**	1,797
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**7,638**	(40,846)

	Notes	**2012** **HK$'000**	2011 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(2,971)**	(49,780)
Non-controlling interests		**6,876**	7,137
		3,905	(42,643)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the Company		**3**	(46,865)
Non-controlling interests		**7,635**	6,019
		7,638	(40,846)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (in cents)	9	**(0.69)**	(11.61)

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**361,330**	237,746
Investment properties		**34,569**	31,340
Prepaid land lease payments		**25,600**	19,618
Goodwill		**–**	3,204
Intangible assets		**8,508**	16,444
Available-for-sale investment		**–**	3,736
Prepayment for acquisition of property, plant and equipment		**5,167**	27,708
Deferred tax assets		**3,303**	324
Total non-current assets		**438,477**	340,120
CURRENT ASSETS			
Inventories		**104,773**	89,537
Construction contracts		**9,735**	7,149
Trade receivables	11	**290,464**	228,339
Prepayments, deposits and other receivables		**73,590**	28,937
Restricted bank deposits		**49,117**	28,445
Cash and cash equivalents		**93,822**	121,505
Total current assets		**621,501**	503,912
CURRENT LIABILITIES			
Trade payables	12	**273,547**	230,131
Other payables and accruals		**229,131**	93,777
Interest-bearing bank and other borrowings	13	**134,567**	121,186
Convertible loan notes and embedded derivatives		**30,926**	–
Amounts due to directors		**3,310**	2,848
Amounts due to non-controlling interests of subsidiaries		**65,121**	46,927
Tax payable		**4,780**	776
Total current liabilities		**741,382**	495,645
NET CURRENT (LIABILITIES)/ASSETS		**(119,881)**	8,267
TOTAL ASSETS LESS CURRENT LIABILITIES		**318,596**	348,387

	2012	2011
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Convertible loan notes and embedded derivatives	**–**	40,613
Unlisted warrants	**5,151**	14,736
Deferred tax liabilities	**12,391**	11,535
Total non-current liabilities	**17,542**	66,884
NET ASSETS	**301,054**	281,503
EQUITY		
Issued capital	**4,318**	4,318
Reserves	**123,791**	123,788
Equity attributable to owners of the Company	**128,109**	128,106
Non-controlling interests	**172,945**	153,397
TOTAL EQUITY	**301,054**	281,503

Notes:

1. GENERAL INFORMATION

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

During the year, 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.

2. BASIS OF PREPARATION

These 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. They have been prepared under the historical cost convention, except for investment properties, buildings and certain of derivative financial instruments, which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. These consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest of the subsidiary even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKFRS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on the consolidated financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the manufacturing and sales of loudspeaker systems segment; and

(b) the environmental protection related business segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, financial costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2012

	Manufacturing and sales of loudspeaker systems *HK$'000*	Environmental protection related business *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**825,054**	**50,523**	**875,577**
Segment results	**23,250**	**28,379**	**51,629**
Reconciliation:			
Interest income			**1,262**
Finance costs			**(25,820)**
Corporate and other unallocated expenses			**(15,670)**
Profit before tax			**11,401**
Segment assets	**766,132**	**238,220**	**1,004,352**
Reconciliation:			
Corporate and other unallocated assets			**55,626**
Total assets			**1,059,978**
Segment liabilities	**486,768**	**236,478**	**723,246**
Reconciliation:			
Corporate and other unallocated liabilities			**35,678**
Total liabilities			**758,924**
Other segment information:*			
Write-down of inventories to net realisable value	**2,552**	**–**	**2,552**
Impairment of trade receivables	**6,474**	**4,449**	**10,923**
Fair value gain on embedded derivatives	**–**	**12,927**	**12,927**
Fair value gain on unlisted warrants	**–**	**9,585**	**9,585**
Impairment of goodwill	**1,160**	**257**	**1,417**
Impairment of property, plant and equipment	**1,761**	**–**	**1,761**
Fair value gains on investment properties	**3,045**	**–**	**3,045**
Depreciation and amortisation	**17,045**	**11,570**	**28,615**
Capital expenditure[#]	**61,317**	**2,517**	**63,834**

* Included in the "Segment results" disclosed above.

[#] Capital expenditure consists additions to property, plant and equipment and excluding assets from the acquisition of subsidiaries.

Year ended 31 December 2011

	Manufacturing and sales of loudspeaker systems	Environmental protection related business	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	724,008	–	724,008
Segment results	32,079	(19,374)	12,705
Reconciliation:			
Interest income			678
Finance costs			(10,428)
Corporate and other unallocated expenses			(36,436)
Loss before tax			(33,481)
Segment assets	759,686	81,595	841,281
Reconciliation:			
Corporate and other unallocated assets			2,751
Total assets			844,032
Segment liabilities	475,597	84,398	559,995
Reconciliation:			
Corporate and other unallocated liabilities			2,534
Total liabilities			562,529
Other segment information:*			
Write back of inventories to net realisable value	602	–	602
Reversal of impairment of trade receivables	1,155	–	1,155
Fair value gain on embedded derivatives	–	757	757
Fair value loss of unlisted warrants	–	(13,936)	(13,936)
Impairment of available-for-sale investment	–	1,186	1,186
Fair value loss of investment properties	1,979	–	1,979
Depreciation and amortisation	20,034	2,363	22,397
Capital expenditure#	55,972	998	56,970

* Included in the "Segment results" disclosed above.

\# Capital expenditure consists of addition to property, plant and equipment, investment properties, and excluding assets from the acquisition of subsidiaries

Geographical information

(a) Revenue from external customers

	2012	2011
	HK$'000	*HK$'000*
Mainland China	**379,705**	285,967
United States of America	**148,781**	121,561
Germany	**209,763**	280,055
Thailand	**2,711**	1,204
Other countries	**134,617**	35,221
	875,577	724,008

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**385**	638
Mainland China	**421,114**	287,203
Germany	**–**	26
Thailand	**–**	837
	421,499	288,704

The non-current asset information is based on the locations of the assets and excludes goodwill, intangible assets, available-for-sale investment, prepayment for acquisition of property, plant and equipment and deferred tax assets.

Information about a major customer

During the year ended 31 December 2012, the Group had a transaction with a single customer who contributed over 10% of the Group's total revenue of HK$99,542,000 (2011: HK$113,950,000) for the year.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and sales related taxes; an appropriate proportion of contract revenue of construction contracts; and the value of maintenance services rendered during the year.

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**807,901**	676,296
Contract revenue of construction contracts	**20,417**	–
Maintenance services income	**47,259**	47,712
	875,577	724,008
Other income		
Bank interest income	**1,262**	678
Mould income	**3,514**	2,981
Gross rental income on investment properties	**4,676**	5,276
Sales of scrap materials	**1,216**	1,012
Service income	**2,619**	444
Others	**1,668**	1,239
	14,955	11,630
Gains		
Foreign exchange differences	**5,431**	–
Fair value gains on investment properties	**3,045**	–
Gain on bargain purchase	**3,942**	–
Gain on disposal of subsidiaries	**5,715**	–
Reversal of impairment of trade receivables	**–**	1,155
	18,133	1,155
	33,088	12,785

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**9,555**	7,226
Interest on loan from an independent third party	**8,020**	–
Interest on convertible loan notes	**7,970**	2,958
Overdue interest on convertible loan notes	**52**	–
Interest on discounted bills	**223**	244
	25,820	10,428

7. PROFIT/(LOSS) BEFORE TAX

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

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**687,447**	576,142
Write-down/(write-back) of inventories to net realisable value	**2,552**	(602)
Depreciation of property, plant and equipment	**19,951**	19,916
Amortisation of intangible assets	**8,247**	2,071
Amortisation of prepaid land lease payments	**417**	410
Auditor's remuneration	**1,016**	1,108
Foreign exchange differences	**–**	14,980
Minimum lease payments under operating leases	**1,873**	1,901
Fair value losses on investment properties	**–**	1,979
Loss on disposal of property, plant and equipment	**–**	96
Impairment of available-for-sale investment	**–**	1,186
Impairment of goodwill	**1,430**	–
Impairment of trade receivables	**10,923**	–
Impairment of property, plant and equipment	**1,761**	–
Rental income in investment properties less direct operating expenses	**(4,489)**	(4,719)
Research and development costs:		
Current year expenditure	**31,518**	23,493
Less: Government grants	**(672)**	(954)
	30,846	22,539
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**159,018**	118,183
Equity-settled share option expenses	**–**	3,331
Pension scheme contribution	**9,735**	11,725
	168,753	133,239

8. INCOME TAX

No provision for Hong Kong profits tax has been made during the year as the Group did not generate any assessable profits arising in Hong Kong (2011: Nil).

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

One of the Company's subsidiaries in Mainland China was registered as a Hi-New technology Enterprise with the relevant government authority in the PRC and is subjected to the PRC corporate tax at the rate of 15%.

	2012	2011
	HK$'000	*HK$'000*
Current tax		
– PRC Enterprise Income Tax		
Charge for the year	**11,135**	5,501
Underprovision in prior years	**91**	1,098
Deferred tax	**(3,730)**	2,563
Total tax charge for the year	**7,496**	9,162

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basis loss per share amounts is based on the loss for the year attribute to Ordinary equity holders of the Company, and the weighted average number of ordinary shares of 431,765,000 (2011: 428,587,000) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the impact of the unlisted warrants and convertible loan notes and share options outstanding during these years had either no dilutive effect or an anti-dilutive effect on the basic loss per share amounts presented.

10. DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year (2011: Nil).

11. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables		
– third parties	**308,372**	234,983
– related parties	**212**	452
	308,584	235,435
Less: Impairment	**(18,120)**	(7,096)
	290,464	228,339

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

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**228,612**	191,499
91 – 180 days	**23,129**	21,838
181 – 365 days	**38,723**	13,133
More than 365 days	**–**	1,869
	290,464	228,339

Included in trade receivable as at 31 December 2012 is an amount of retention monies receivable from customers in respect of certain environmental protection related projects of HK$4,223,000 (2011: HK$3,652,000). The amount of those retentions expected to be recovered after more than one year is HK$1,835,000 (2011: HK$3,091,000).

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An average credit period of 90 days is granted to customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At 31 December 2012, an aging analysis of the Group's trade receivables, that are past due but not impaired is as follows:

	2012	2011
	HK$'000	*HK$'000*
Past due:		
91 – 180 days	**23,129**	21,838
181 – 365 days	**38,723**	13,133
More than 365 days	**–**	1,869
	61,852	36,840

The Group reviews customer credit limit regularly based on historical repayment record. Trade receivables that were neither past due nor impaired related to a number of independent customers that have good repayment track record with the Group.

The below table reconciled the impairment of trade receivables for the year:

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**7,096**	4,729
Impairment recognised/(written back)	**10,923**	(1,155)
Acquisition of a subsidiary	**–**	3,402
Exchange realignment	**101**	120
At 31 December	**18,120**	7,096

12. TRADE PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**273,547**	230,131

In general, the credit terms granted by suppliers ranged from 30 to 180 days. An aging analysis of the Group's trade payables is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**95,897**	94,462
31 – 90 days	**122,463**	79,195
91 – 180 days	**46,077**	55,912
181 – 365 days	**8,840**	87
More than 365 days	**270**	475
	273,547	230,131

13. INTEREST-BEARING BANK AND OTHERS BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Interest bearing short-term bank loans secured	**104,567**	108,236
Discounted bills and factoring loans secured	**–**	12,950
Other loan	**30,000**	–
	134,567	121,186

At 31 December 2012, all (2011: all) of the bank loans are due on demand or within one year.

Bank borrowings of HK$104,567,000 (2011: HK$121,186,000) are secured by buildings of HK$97,211,000 (2011: HK$101,034,000), payments for leasehold land held for own use under operating leases of HK$12,661,000 (2011: HK$12,910,000) and investment properties of HK$6,400,000 (2011: HK$8,730,000) respectively.

Other loan was obtained from an independent third party during the year. It is unsecured, interest bearing at 27.6% per annum and repayable within one year.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The audit opinion of the consolidated financial statement of the Group for the year ended 31 December 2012 has been qualified and is extracted as follows:

BASIS FOR DISCLAIMER OF OPINION

Material uncertainty relating to the going concern basis

Notwithstanding that the Group has (i) consolidated net current liabilities of approximately HK$119,881,000; (ii) capital commitment of approximately HK$35,420,000; (iii) convertible loan notes with an aggregate principal amount of approximately HK$40,000,000; (iv) interest bearing bank and other borrowings of approximately HK$134,567,000 and (v) amounts due to non-controlling interests of subsidiaries of approximately HK$65,121,000 as at 31 December 2012, in forming our opinion, we have considered the adequacy of the disclosures made in the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As detailed in the consolidated financial statements, the Group is currently undertaking a number of measures to improve its financial and current liquidity position.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's funding plans, the continuous support from the Group's existing bankers and extension of the loans from the potential investor and the attainment of profitable and positive cash flow operation of the Group to meet the Group's future working capital and financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we consider that this fundamental uncertainty relating to whether the going concern basis is appropriate is so extreme that we have disclaimed our opinion.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY THE CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matter described in the basis for disclaimer of opinion section, we do not express an opinion as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Heilongjiang Province Shengyan New Energy Development Limited ("Shengyan")

To maintain a stable and sustainable growth in the long term, the PRC government has promulgated several supporting policies and measures and formulated directions for the development of seven major strategic emerging industries including energy conservation and new energy which are under strong support.

The PRC is a large agricultural country, with high production capacity, diverse distribution and broad variety of straw. There is a tendency of random disposal and cremation of straw, leading to a number of environmental problems. Straw is one of the major biomass raw materials which could be transformed into solidified fuel after processing. Also, as a kind of clean energy with relatively high thermal value and extremely low sulfur content, straw can be energized to alleviate problems like resources wasting in agricultural areas and environmental pollution, and to reduce the consumption of fossil fuel (e.g. coal) and gradually become its substitute. The State Council of the PRC has promulgated the "12th Five Year Plan – Implementation Plan for Straw Integrated Utilization《「十二五」農作物秸稈綜合利用實施方案》" at the end of 2011 to determine the development directions and security measures for related industries regarding the straw integrated utilization. In view of the above, the straw energy conversion industry is expected to have continuous and outstanding development prospect and huge market demand.

In December 2012, the Group completed the acquisition of 51% equity interest in Shengyan, a limited liability company established in Baiquan County of Heilongjiang Province, at a cash consideration of RMB15.5 million (equivalent to approximately HK$19.1 million) which shall be payable after all approval and transfer procedures have been duly completed by Shengyan. Shengyan is principally engaged in the sale and production of straw fuel briquettes in the Northeast region of the PRC. Since established in 2010, Shengyan has developed into a sizeable corporation with healthy operation and recorded an annual sales of straw briquettes product of approximately 120,000 tonnes in 2012. Shengyan is expected to be entitled to an annual subsidy offered by Ministry of Finance of the State Council in relation to the straw integrated utilization project.

The Group expects the acquisition of Shengyan will not only contribute a satisfactory revenue and profit to the Group, but also expand the Group's business scope in the environmental protection related sector and establish a solid foundation for the Group to further develop related market in the PRC.

Jiangsu Shengyi Environmental Technology Company Limited ("Shengyi")

Although the development of the desulphurisation industry is supported by the Chinese government, under adverse factors such as weakening of the macro economic situation and rising price in raw materials, the operating conditions of traditional chemical and iron and steel smelting industry are severely affected, resulting in a significant decline in potential customers in the desulphurisation industry. Based on the factors shown above, the Group will lower the growth expectation of the desulphurisation industry and keep monitoring the development and operation.

During the year under review, Shengyi has started to contribute to the Group's sales revenue. 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. However, under the influence of macro-economic downturn, the number and aggregate amount of construction contracts newly acquired by Shengyi in 2012 decreased significantly as compared with those of 2011 and there was an increase in administrative expenses, which limited the profitability of Shengyi. The Group will continue to closely oversee the development of Shengyi and strengthen its supervision in the future.

Time Pro International Company Limited ("TimePro")

Due to the flooding hazards occurred during 2011 to 2012, Thailand suffered from serious damages in its economic condition. As local enterprises and Thai government have to provide additional and substantial fund for post-disaster reconstruction, it is expected that Thailand will encounter difficulties in resuming its economic growth momentum.

In November 2012, the Group completed the disposal of 100% equity interest in TimePro at a cash consideration of HK$2.0 million. TimePro was principally engaged in the engineering, procurement and construction of biomass heat generation plants in Thailand. No operating income and profit had been attributed to the Group from the company during the recent two years. The Board considered such disposal was to be beneficial to the Group as it can help reducing the management cost, terminate the non-productive operation and concentrate resources on developing other promising businesses.

Sonavox

The sustainable growth in PRC automobile manufacturing industry continues to facilitate the development of loudspeaker-related business. Therefore, the turnover contributed by the Group's manufacturing and sales of loudspeaker business ("Sonavox") is expected to maintain a slight growth. However, under the influence of sluggish technology innovation process, rising raw material price and increasing overhead cost, the Group expects that a lower profit margin will continue to be recorded by such business.

Financial Review

During the year under review, businesses of the Group continued to record healthy growth in its sales, on the back of improving economic conditions and global consumer appetite, and the Group recorded an improvement in turnover of 20.9% to approximately HK$875.6 million (2011: HK$724.0 million). For the year ended 31 December 2012, sales of loudspeaker systems increased by 14.0% to approximately HK$825.1 million (2011: HK$724.0 million). The Group has commenced its environmental protection related businesses since 2011. Revenue generated from such businesses amounted to HK$50.5 million for the year ended 31 December 2012. The Group's gross profit ratio slightly increased to 21.2% for the year ended 31 December 2012 (2011: 20.5%).

During the year ended 31 December 2012, the Group recorded net profit of approximately HK$3.9 million (2011: net loss of approximately HK$42.6 million). Such net profit was mainly attributable to (i) the fair value gain of derivative financial instrument of approximately HK$22.5 million (2011: fair value loss of approximately HK$13.2 million) recognized by the Company in respect of the convertible loan notes and the unlisted warrants issued by the Company; and (ii) the profit generated from the principal businesses of the Group.

Looking Ahead

In recent years, there have been different levels of environmental issues exposed in various regions of the PRC, continuously boosting public awareness of environmental protection throughout the country and making the Chinese government to strive for integrated management enhancement of pollution prevention, energy conservation and emission reduction at the enterprise level. Benefited from the enormous support given by the government towards environmental 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.

During 2012, the Group disposed of TimePro and successfully acquired Shengyan. Compared to less-efficient TimePro, the healthy operation and future prospect of Shengyan will provide the Group with better development opportunity. In 2013, the Group will continue to strengthen the existing environmental protection businesses of Shengyan and Shengyi, proactively explore new business scope and continuously seek other suitable investment opportunities. In addition, the Group also plans to gradually open up its international market in coming years with an aim to promote its advanced environmental protection technology and concept worldwide.

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

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 year.

CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders. The Board believes that high standards of corporate governance provide a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of accountability and transparency and meeting the expectations of all of the Group's various stakeholders.

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 year ended 31 December 2012, except for the following deviations:

Code Provision A.2.1

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

Mr. Shan Xiaochang, an executive Director, has served both roles as the chairman and the chief executive officer of the Company since September 2010. In view of the scale and operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives, the Board is of the view that this has not compromised accountability and independent decision-making. In addition, the audit committee of the Company composed exclusively of independent non-executive Directors and the independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advisors when considered necessary.

Code Provision E.1.2

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code as defined in the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises Mr. Wang Jialian, Mr. Wang Zhihua and Ms. Chan Sze Man who are the independent non-executive Directors. The audit committee of the Company has reviewed and discussed the financial reporting matters including the annual results for the year ended 31 December 2012 with the management and the external auditors.

By order of the Board
Sunrise (China) Technology Group Limited
Shan Xiaochang
Chairman

Hong Kong, 28 March 2013

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at "www.hkgem.com" for at least seven days from its date of posting and on the Company's website at "www.sunrisechina-tech.com".