



**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)

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**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 high 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.**

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*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 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 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 Sunrise (China) Technology Group Limited (formerly known as Sonavox International Holdings Limited) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2011, together with the comparative figures as follows:

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

*For the six months ended 30 June 2011*

|                                                              |       | For the three months<br>ended 30 June |                        | For the six months<br>ended 30 June |                        |
|--------------------------------------------------------------|-------|---------------------------------------|------------------------|-------------------------------------|------------------------|
|                                                              |       | 2011                                  | 2010                   | 2011                                | 2010                   |
|                                                              | Notes | HK\$'000                              | HK\$'000<br>(Restated) | HK\$'000                            | HK\$'000<br>(Restated) |
| <b>Continuing operations</b>                                 |       |                                       |                        |                                     |                        |
| Turnover                                                     |       | 177,041                               | 135,104                | 335,303                             | 255,917                |
| Cost of sales                                                |       | (131,665)                             | (98,653)               | (251,340)                           | (191,009)              |
| Gross profit                                                 |       | 45,376                                | 36,451                 | 83,963                              | 64,908                 |
| Other revenue, gains and losses                              |       | 4,398                                 | (95)                   | 8,228                               | 397                    |
| Selling and marketing costs                                  |       | (5,406)                               | (3,690)                | (10,766)                            | (7,391)                |
| Administrative expenses                                      |       | (29,862)                              | (26,671)               | (53,529)                            | (39,459)               |
| Finance costs                                                |       | (1,460)                               | (1,432)                | (2,701)                             | (2,433)                |
| Profit before income tax expense                             | 4     | 13,046                                | 4,563                  | 25,195                              | 16,022                 |
| Income tax expense                                           | 5     | (3,479)                               | (1,036)                | (5,847)                             | (3,180)                |
| Profit for the period from continuing operations             |       | 9,567                                 | 3,527                  | 19,348                              | 12,842                 |
| <b>Discontinued operations</b>                               |       |                                       |                        |                                     |                        |
| Loss for the period from discontinued operations             | 6     | –                                     | (1,282)                | –                                   | (3,611)                |
| <b>Profit for the period</b>                                 |       | <b>9,567</b>                          | <b>2,245</b>           | <b>19,348</b>                       | <b>9,231</b>           |
| <b>Other comprehensive income</b>                            |       |                                       |                        |                                     |                        |
| – exchange differences on translating foreign operations     |       | 2,317                                 | 648                    | 5,344                               | 1,741                  |
| <b>Other comprehensive income for the period, net of tax</b> |       | <b>2,317</b>                          | <b>648</b>             | <b>5,344</b>                        | <b>1,741</b>           |
| <b>Total comprehensive income for the period</b>             |       | <b>11,884</b>                         | <b>2,893</b>           | <b>24,692</b>                       | <b>10,972</b>          |

|                                                                                  |   | For the three months<br>ended 30 June |               | For the six months<br>ended 30 June |               |
|----------------------------------------------------------------------------------|---|---------------------------------------|---------------|-------------------------------------|---------------|
|                                                                                  |   | 2011                                  | 2010          | 2011                                | 2010          |
|                                                                                  |   | HK\$'000                              | HK\$'000      | HK\$'000                            | HK\$'000      |
|                                                                                  |   |                                       | (Restated)    |                                     | (Restated)    |
| <b>Profit/(loss) attributable to:</b>                                            |   |                                       |               |                                     |               |
| – owners of the Company                                                          |   | <b>2,298</b>                          | (1,025)       | <b>4,433</b>                        | 952           |
| – non-controlling interests                                                      |   | <b>7,269</b>                          | 3,270         | <b>14,915</b>                       | 8,279         |
|                                                                                  |   | <u><b>9,567</b></u>                   | <u>2,245</u>  | <u><b>19,348</b></u>                | <u>9,231</u>  |
| <b>Total comprehensive income attributable to:</b>                               |   |                                       |               |                                     |               |
| – owners of the Company                                                          |   | <b>2,310</b>                          | (1,213)       | <b>7,100</b>                        | 2,011         |
| – non-controlling interests                                                      |   | <b>9,574</b>                          | 4,106         | <b>17,592</b>                       | 8,961         |
|                                                                                  |   | <u><b>11,884</b></u>                  | <u>2,893</u>  | <u><b>24,692</b></u>                | <u>10,972</u> |
| Earnings/(loss) per share from continuing and discontinued operations (HK cents) |   |                                       |               |                                     |               |
| – basic                                                                          | 7 | <u><b>0.54</b></u>                    | <u>(0.32)</u> | <u><b>1.04</b></u>                  | <u>0.29</u>   |
| – diluted                                                                        | 7 | <u><b>0.52</b></u>                    | <u>(0.32)</u> | <u><b>1.02</b></u>                  | <u>0.29</u>   |
| Earnings per share from continuing operations (HK cents)                         |   |                                       |               |                                     |               |
| – basic                                                                          | 7 | <u><b>0.54</b></u>                    | <u>0.08</u>   | <u><b>1.04</b></u>                  | <u>1.40</u>   |
| – diluted                                                                        | 7 | <u><b>0.52</b></u>                    | <u>0.06</u>   | <u><b>1.02</b></u>                  | <u>1.08</u>   |

# Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2011

|                                                               |       | As at    |             |
|---------------------------------------------------------------|-------|----------|-------------|
|                                                               |       | 30 June  | 31 December |
|                                                               |       | 2011     | 2010        |
|                                                               | Notes | HK\$'000 | HK\$'000    |
| <b>Non-current assets</b>                                     |       |          |             |
| Property, plant and equipment                                 | 9     | 189,799  | 179,737     |
| Investment properties                                         |       | 32,122   | 30,170      |
| Prepaid lease payments                                        |       | 16,212   | 16,173      |
| Deferred tax assets                                           |       | 237      | 233         |
| Goodwill                                                      | 16    | 1,805    | —           |
| Total non-current assets                                      |       | 240,175  | 226,313     |
| <b>Current assets</b>                                         |       |          |             |
| Inventories                                                   |       | 89,288   | 57,220      |
| Trade and note receivables                                    | 10    | 242,616  | 234,999     |
| Prepayments, deposits and other receivables                   |       | 49,425   | 31,487      |
| Amount due from a non-controlling shareholder of a subsidiary |       | 2,992    | 2,934       |
| Restricted and pledged bank deposits                          |       | 23,786   | 12,000      |
| Cash and cash equivalents                                     |       | 53,755   | 74,788      |
| Total current assets                                          |       | 461,862  | 413,428     |
| <b>Total assets</b>                                           |       | 702,037  | 639,741     |
| <b>Current liabilities</b>                                    |       |          |             |
| Trade and note payables                                       | 11    | 182,735  | 169,640     |
| Accruals and other payables                                   |       | 96,603   | 88,742      |
| Amount due to a director                                      |       | 2,110    | 2,110       |
| Amounts due to non-controlling shareholders of subsidiaries   |       | 12,577   | 12,346      |
| Bank borrowings                                               | 12    | 92,731   | 80,287      |
| Current tax liabilities                                       |       | 4,078    | 5,354       |
| Total current liabilities                                     |       | 390,834  | 358,479     |
| <b>Net current assets</b>                                     |       | 71,028   | 54,949      |
| <b>Total assets less current liabilities</b>                  |       | 311,203  | 281,262     |

|                                                                   |       | As at                 |                       |
|-------------------------------------------------------------------|-------|-----------------------|-----------------------|
|                                                                   |       | 30 June               | 31 December           |
|                                                                   |       | 2011                  | 2010                  |
|                                                                   | Notes | HK\$'000              | HK\$'000              |
| <b>Non-current liabilities</b>                                    |       |                       |                       |
| Deferred tax liabilities                                          |       | <u>3,043</u>          | <u>2,984</u>          |
| Total non-current liabilities                                     |       | <u>3,043</u>          | <u>2,984</u>          |
| <b>NET ASSETS</b>                                                 |       | <u><b>308,160</b></u> | <u><b>278,278</b></u> |
| <b>Capital and reserves attributable to owners of the Company</b> |       |                       |                       |
| Share capital                                                     | 13    | <b>4,305</b>          | 4,220                 |
| Reserves                                                          |       | <u><b>159,386</b></u> | <u>146,950</u>        |
| Equity attributable to owners of the Company                      |       | <b>163,691</b>        | 151,170               |
| <b>Non-controlling interests</b>                                  |       | <u><b>144,469</b></u> | <u>127,108</u>        |
| <b>TOTAL EQUITY</b>                                               |       | <u><b>308,160</b></u> | <u><b>278,278</b></u> |

**Condensed Consolidated Statement of Changes in Equity (Unaudited)**  
*For the six months ended 30 June 2011*

|                                              | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Property<br>revaluation<br>reserve<br>HK\$'000 | Statutory<br>reserves<br>(Note (a))<br>HK\$'000 | Share-based<br>payment<br>reserve<br>HK\$'000 | Merger<br>reserve<br>(Note (b))<br>HK\$'000 | Cumulative<br>translation<br>adjustment<br>reserve<br>HK\$'000 | Retained<br>earnings/<br>(accumulated<br>losses)<br>HK\$'000 | Equity<br>attributable<br>to owners<br>of the<br>Company<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------------------|------------------------------|------------------------------|------------------------------------------------|-------------------------------------------------|-----------------------------------------------|---------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------|-------------------|
| At 1 January 2010                            | 3,251                        | 27,682                       | 11,680                                         | 6,812                                           | 1,623                                         | 2,441                                       | 14,179                                                         | 14,827                                                       | 82,495                                                               | 98,817                                       | 181,312           |
| Total comprehensive income<br>for the period | -                            | -                            | -                                              | -                                               | -                                             | -                                           | 1,059                                                          | 952                                                          | 2,011                                                                | 8,961                                        | 10,972            |
| Proposed dividend                            | -                            | -                            | -                                              | -                                               | -                                             | -                                           | -                                                              | -                                                            | -                                                                    | (5,907)                                      | (5,907)           |
| At 30 June 2010                              | <u>3,251</u>                 | <u>27,682</u>                | <u>11,680</u>                                  | <u>6,812</u>                                    | <u>1,623</u>                                  | <u>2,441</u>                                | <u>15,238</u>                                                  | <u>15,779</u>                                                | <u>84,506</u>                                                        | <u>101,871</u>                               | <u>186,377</u>    |
| At 1 January 2011                            | 4,220                        | 155,563                      | 11,293                                         | 7,576                                           | 11,185                                        | 2,441                                       | 17,420                                                         | (58,528)                                                     | 151,170                                                              | 127,108                                      | 278,278           |
| Total comprehensive income<br>for the period | -                            | -                            | -                                              | -                                               | -                                             | -                                           | 2,667                                                          | 4,433                                                        | 7,100                                                                | 17,592                                       | 24,692            |
| Shares issued under share<br>option scheme   | 85                           | 8,547                        | -                                              | -                                               | (2,971)                                       | -                                           | -                                                              | -                                                            | 5,661                                                                | -                                            | 5,661             |
| Transfer of reserves                         | -                            | -                            | -                                              | 1,200                                           | -                                             | -                                           | -                                                              | (1,440)                                                      | (240)                                                                | (231)                                        | (471)             |
| At 30 June 2011                              | <u>4,305</u>                 | <u>164,110</u>               | <u>11,293</u>                                  | <u>8,776</u>                                    | <u>8,214</u>                                  | <u>2,441</u>                                | <u>20,087</u>                                                  | <u>(55,535)</u>                                              | <u>163,691</u>                                                       | <u>144,469</u>                               | <u>308,160</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 2011*

|                                                              | <b>For the six months ended</b> |                 |
|--------------------------------------------------------------|---------------------------------|-----------------|
|                                                              | <b>30 June</b>                  |                 |
|                                                              | <b>2011</b>                     | 2010            |
|                                                              | <b><i>HK\$'000</i></b>          | <i>HK\$'000</i> |
| Net cash used in operating activities                        | <b>(6,943)</b>                  | (10,942)        |
| Net cash used in investing activities                        | <b>(30,898)</b>                 | (1,516)         |
| Net cash from financing activities                           | <b>15,403</b>                   | 43              |
| Net decrease in cash and cash equivalents                    | <b>(22,438)</b>                 | (12,415)        |
| Cash and cash equivalent at beginning of period              | <b>74,788</b>                   | 39,406          |
| Effect of exchange rate changes on cash and cash equivalents | <b>1,405</b>                    | (5,906)         |
| Cash and cash equivalents at end of period                   | <b>53,755</b>                   | 21,085          |
| Analysis of the balances of cash and cash equivalents:       |                                 |                 |
| Cash and bank balances                                       | <b>53,755</b>                   | 30,246          |
| Bank overdrafts                                              | <b>–</b>                        | (9,161)         |
| Cash and cash equivalents at end of period                   | <b>53,755</b>                   | 21,085          |

## **Notes to Condensed Consolidated Financial Statements**

For the six months ended 30 June 2011

### **1. GENERAL INFORMATION**

The principal activities of the Company and the Group are investment holding, manufacturing and sale of loudspeaker systems and environment related business respectively.

Pursuant to a special resolution passed on 4 January 2011 and approved by the Registrar of Companies in the Cayman Islands, the name of the Company was changed from Sonavox International Holdings Limited (上聲國際控股有限公司) to Sunrise (China) Technology Group Limited (中昱科技集團有限公司).

The Company is a limited liability company incorporated in the Cayman Islands. The Directors regard Zhongyu Group Holdings Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

The shares of the Company have been listed on the GEM of the Stock Exchange since 19 July 2002.

The unaudited condensed financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

### **2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) 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 unaudited condensed financial statements have been prepared under the historical cost basis except for land and buildings and investment properties, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and method of computation used in preparing the unaudited condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2010.

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”) issued by the HKICPA that are effective for the current accounting period. The adoption of the new/revised HKFRSs has no significant 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 six months ended 30 June 2011, the Group had two reportable segments, namely the manufacturing and sale of loudspeaker system and environment related business. They were managed separately based on their business segments. On 25 August 2010, Indigo Enterprises Inc. and its subsidiary, Sonavox Canada Inc. (collectively referred to as the “Indigo Group”) included in the manufacturing and sale of loudspeaker system segment was disposed of and was presented as a discontinued operation.

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:

#### For the six months ended 30 June 2011

|                                                                    | <b>Manufacturing<br/>and sale of<br/>loudspeaker<br/>system<br/>HK\$'000</b> | <b>Environment<br/>related<br/>business<br/>HK\$'000</b> | <b>Unallocated<br/>(Note (c))<br/>HK\$'000</b> | <b>Consolidated<br/>HK\$'000</b> |
|--------------------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------------------|----------------------------------|
| Revenue from external customers<br>(Note (a))                      | 335,302                                                                      | –                                                        | –                                              | 335,302                          |
| Reportable segment profit/(loss)<br>(Note (b)(i))                  | <u>33,290</u>                                                                | <u>(1,514)</u>                                           | <u>(6,581)</u>                                 | <u>25,195</u>                    |
| Depreciation and amortisation                                      | 9,555                                                                        | 18                                                       | 138                                            | 9,711                            |
| Interest income                                                    | 98                                                                           | –                                                        | –                                              | 98                               |
| Interest expense                                                   | 2,702                                                                        | –                                                        | –                                              | 2,702                            |
| Impairment loss on inventories                                     | 668                                                                          | –                                                        | –                                              | 668                              |
| Impairment loss on trade receivables                               | 1,135                                                                        | –                                                        | –                                              | 1,135                            |
| Income tax expense                                                 | 5,847                                                                        | –                                                        | –                                              | 5,847                            |
| Reportable segment assets<br>(Note (b)(ii))                        | 677,339                                                                      | 9,911                                                    | 14,787                                         | 702,037                          |
| Reportable segment liabilities<br>(Note (b)(iii))                  | 391,122                                                                      | 805                                                      | 1,950                                          | 393,877                          |
| Addition to non-current assets:<br>– property, plant and equipment | <u>15,885</u>                                                                | <u>979</u>                                               | <u>50</u>                                      | <u>16,914</u>                    |

**For the six months ended 30 June 2010**

|                                                                    | Continuing<br>operations<br>manufacturing<br>and sale of<br>loudspeaker<br>system<br><i>HK\$'000</i> | Discontinued<br>operations<br>manufacturing<br>and sale of<br>loudspeaker<br>system<br><i>HK\$'000</i> | Unallocated<br>( <i>Note (c)</i> )<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------|
| Revenue from external customers<br>( <i>Note (a)</i> )             | 255,917                                                                                              | 46,563                                                                                                 | –                                                     | 302,480                         |
| Reportable segment profit/(loss)<br>( <i>Note (b)(i)</i> )         | <u>20,076</u>                                                                                        | <u>(3,611)</u>                                                                                         | <u>(4,054)</u>                                        | <u>12,411</u>                   |
| Depreciation and amortisation                                      | 9,665                                                                                                | 1,467                                                                                                  | 130                                                   | 11,262                          |
| Interest income                                                    | 141                                                                                                  | –                                                                                                      | –                                                     | 141                             |
| Interest expense                                                   | 2,405                                                                                                | 2,709                                                                                                  | 28                                                    | 5,142                           |
| Impairment loss on inventories                                     | 1,297                                                                                                | –                                                                                                      | –                                                     | 1,297                           |
| Impairment loss on trade receivables                               | 1,767                                                                                                | –                                                                                                      | –                                                     | 1,767                           |
| Income tax expense                                                 | 3,180                                                                                                | –                                                                                                      | –                                                     | 3,180                           |
| Reportable segment assets ( <i>Note (b)(ii)</i> )                  | 612,425                                                                                              | –                                                                                                      | 27,316                                                | 639,741                         |
| Reportable segment liabilities<br>( <i>Note (b)(iii)</i> )         | 357,159                                                                                              | –                                                                                                      | 4,304                                                 | 361,463                         |
| Addition to non-current assets:<br>– property, plant and equipment | <u>27,586</u>                                                                                        | <u>43</u>                                                                                              | <u>881</u>                                            | <u>28,510</u>                   |

*Notes:*

- (a) Revenue of approximately HK\$56,061,000 (2010: HK\$59,833,000) was derived from a single external customer and is attributable to the reportable segment of “Manufacturing and sale of loudspeaker system”.

- (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 legal and professional fee and staff cost incurred in maintaining operation of corporate level of the Group.
  - (ii) The amount mainly represents prepayments, deposits and other receivables of the Group.
  - (iii) The amount mainly represents accruals and other payables of the Group.
- (c) Reconciliation represents unallocated corporate income and expenses, assets and liabilities as follows:

|                                                                         | <b>For the six months<br/>ended 30 June</b> |                    |
|-------------------------------------------------------------------------|---------------------------------------------|--------------------|
|                                                                         | <b>2011</b>                                 | <b>2010</b>        |
|                                                                         | <b>HK\$'000</b>                             | <b>HK\$'000</b>    |
| <b>Profit before income tax expense and<br/>discontinued operations</b> |                                             |                    |
| Reportable segment profit                                               | <b>31,776</b>                               | 16,465             |
| Segment loss from discontinued operations                               | <b>–</b>                                    | 3,611              |
| Depreciation and amortisation                                           | <b>(138)</b>                                | (130)              |
| Directors' emoluments                                                   | <b>(1,072)</b>                              | (307)              |
| Others                                                                  | <b>(5,371)</b>                              | (3,617)            |
|                                                                         | <hr/>                                       | <hr/>              |
| Profit before income tax expense from<br>continuing operations          | <b>25,195</b>                               | 16,022             |
|                                                                         | <hr/> <hr/>                                 | <hr/> <hr/>        |
|                                                                         | <b>30 June</b>                              | <b>31 December</b> |
|                                                                         | <b>2011</b>                                 | <b>2010</b>        |
|                                                                         | <b>HK\$'000</b>                             | <b>HK\$'000</b>    |
| <b>Assets</b>                                                           |                                             |                    |
| Reportable segment assets                                               | <b>687,250</b>                              | 612,425            |
| Unallocated corporate assets                                            | <b>14,787</b>                               | 27,316             |
|                                                                         | <hr/>                                       | <hr/>              |
| Consolidated total assets                                               | <b>702,037</b>                              | 639,741            |
|                                                                         | <hr/> <hr/>                                 | <hr/> <hr/>        |
| <b>Liabilities</b>                                                      |                                             |                    |
| Reportable segment liabilities                                          | <b>391,927</b>                              | 357,159            |
| Unallocated corporate liabilities                                       | <b>1,950</b>                                | 4,304              |
|                                                                         | <hr/>                                       | <hr/>              |
| Consolidated total liabilities                                          | <b>393,877</b>                              | 361,463            |
|                                                                         | <hr/> <hr/>                                 | <hr/> <hr/>        |

#### 4. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

|                                                             | For the three months<br>ended 30 June |              | For the six months<br>ended 30 June |               |
|-------------------------------------------------------------|---------------------------------------|--------------|-------------------------------------|---------------|
|                                                             | 2011                                  | 2010         | 2011                                | 2010          |
|                                                             | HK\$'000                              | HK\$'000     | HK\$'000                            | HK\$'000      |
| Depreciation of property, plant<br>and equipment            | 4,493                                 | 5,234        | 9,511                               | 10,293        |
| Amortisation of intangible assets                           | –                                     | 392          | –                                   | 778           |
| Amortisation of prepaid lease payments                      | 101                                   | 82           | 200                                 | 191           |
| (Gain)/loss on disposal of property,<br>plant and equipment | (383)                                 | 14           | (383)                               | 34            |
| Write-down of inventories                                   | 668                                   | –            | 668                                 | 1,297         |
| Impairment loss on trade receivables                        | 1,135                                 | –            | 1,135                               | 1,767         |
|                                                             | <u>4,493</u>                          | <u>5,234</u> | <u>9,511</u>                        | <u>10,293</u> |

#### 5. INCOME TAX EXPENSE

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 2011.

With effect from 1 January 2008, the PRC Enterprise Income Tax (“EIT”) rate is 25%, subject to preferential tax treatments.

Suzhou Shangsheng Electrics Co., Ltd. enjoys a preferential EIT rate of 15% as it has been granted the status of an Advanced and New Technology Enterprise.

Suzhou Shangsheng Technology Co., Ltd., Suzhou Sonavox Acoustics Co., Ltd. and Suzhou Hesheng Industrial Co., Ltd. are entitled to a 50% reduction in EIT for the six months ended 30 June 2011 in accordance with the transitional preferential policies of the EIT law applicable to foreign investment enterprises in the PRC.

Taxation arising in other jurisdictions is calculated at the rates in the relevant jurisdictions.

The amount of taxation in the condensed consolidated statement of comprehensive income represents:

|                    | For the three months<br>ended 30 June |              | For the six months<br>ended 30 June |              |
|--------------------|---------------------------------------|--------------|-------------------------------------|--------------|
|                    | 2011                                  | 2010         | 2011                                | 2010         |
|                    | HK\$'000                              | HK\$'000     | HK\$'000                            | HK\$'000     |
| Current tax        | 3,479                                 | 1,036        | 5,847                               | 3,180        |
| Deferred tax       | –                                     | –            | –                                   | –            |
| Income tax expense | <u>3,479</u>                          | <u>1,036</u> | <u>5,847</u>                        | <u>3,180</u> |

## 6. DISCONTINUED OPERATIONS

On 12 July 2010, the Company entered into conditional sale and purchase agreements with Newwood Consultancy Limited (“Newwood”), whereby the Company agreed to sell and Newwood agreed to purchase the entire equity interests held by the Company in the Indigo Group and Taraki Services Company Limited (“Taraki Services”) for considerations of HK\$43,753,000 satisfied by cash of HK\$25,000,000 and a waiver of payable due to Newwood of HK\$18,753,000 for the Indigo Group and HK\$8,000,000 for Taraki Services respectively.

The Indigo Group is based in the North America and is principally engaged in manufacturing and sale of loudspeaker systems in the North American, European and Asian markets. The disposal and cessation of the loss making Indigo Group is aimed to spare more resources for other business operations of the Group.

On 25 August 2010, the transactions were completed and the Group retained no interest in the Indigo Group and Taraki Services following the disposals.

The disposal of the Indigo Group constitutes a discontinued operation under HKFRS 5 - “Non-current Assets Held for Sale and Discontinued Operations” and the financial information of the Indigo Group for the period ended 30 June 2010 is disclosed as follows:

### (i) Analysis of the results of discontinued operations

|                                                     | For the three<br>months ended<br>30 June 2010<br><i>HK\$'000</i> | For the six<br>months ended<br>30 June 2010<br><i>HK\$'000</i> |
|-----------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------|
| Turnover                                            | 32,373                                                           | 46,563                                                         |
| Cost of sales                                       | (27,906)                                                         | (38,599)                                                       |
|                                                     | <hr/>                                                            | <hr/>                                                          |
| Gross profit                                        | 4,467                                                            | 7,964                                                          |
| Other revenue, gains and losses                     | (106)                                                            | (139)                                                          |
| Selling and marketing costs                         | (539)                                                            | (1,063)                                                        |
| Administrative expenses                             | (3,772)                                                          | (7,664)                                                        |
| Finance costs                                       | (1,332)                                                          | (2,709)                                                        |
|                                                     | <hr/>                                                            | <hr/>                                                          |
| Loss before income tax expense                      | (1,282)                                                          | (3,611)                                                        |
| Income tax expense                                  | –                                                                | –                                                              |
|                                                     | <hr/>                                                            | <hr/>                                                          |
| Loss for the period from<br>discontinued operations | <u>(1,282)</u>                                                   | <u>(3,611)</u>                                                 |

(ii) **Analysis of the cash flows of discontinued operations**

|                      |                                                         |
|----------------------|---------------------------------------------------------|
|                      | For the six<br>months ended<br>30 June 2010<br>HK\$'000 |
| Operating cash flows | 933                                                     |
| Investing cash flows | (4)                                                     |
| Financing cash flows | (270)                                                   |
|                      | <hr/>                                                   |
| Net cash inflows     | 659                                                     |
|                      | <hr/> <hr/>                                             |

**7. EARNINGS/(LOSS) PER SHARE**

**Continuing and discontinued operations**

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

|                                                                                                  | For the three months<br>ended 30 June |                | For the six months<br>ended 30 June |                |
|--------------------------------------------------------------------------------------------------|---------------------------------------|----------------|-------------------------------------|----------------|
|                                                                                                  | 2011                                  | 2010           | 2011                                | 2010           |
|                                                                                                  | HK\$'000                              | HK\$'000       | HK\$'000                            | HK\$'000       |
| Earnings/(loss)                                                                                  |                                       |                |                                     |                |
| Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share                  | <u>2,298</u>                          | <u>(1,025)</u> | <u>4,433</u>                        | <u>952</u>     |
| Number of shares                                                                                 | '000                                  | '000           | '000                                | '000           |
| Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share   | 428,690                               | 325,090        | 425,365                             | 325,090        |
| Effect of dilutive potential ordinary shares in respect of:                                      |                                       |                |                                     |                |
| – share options                                                                                  | <u>10,478</u>                         | <u>–</u>       | <u>10,019</u>                       | <u>2,072</u>   |
| Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share | <u>439,168</u>                        | <u>325,090</u> | <u>435,384</u>                      | <u>327,162</u> |

**Continuing operations**

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<br>ended 30 June |            | For the six months<br>ended 30 June |              |
|-------------------------------------------------------------------------------|---------------------------------------|------------|-------------------------------------|--------------|
|                                                                               | 2011                                  | 2010       | 2011                                | 2010         |
|                                                                               | HK\$'000                              | HK\$'000   | HK\$'000                            | HK\$'000     |
| Earnings                                                                      |                                       |            |                                     |              |
| Earnings for the purposes of calculating basic and diluted earnings per share | <u>2,298</u>                          | <u>257</u> | <u>4,433</u>                        | <u>4,563</u> |

|                                                                                           | For the three months<br>ended 30 June |         | For the six months<br>ended 30 June |         |
|-------------------------------------------------------------------------------------------|---------------------------------------|---------|-------------------------------------|---------|
|                                                                                           | 2011                                  | 2010    | 2011                                | 2010    |
|                                                                                           | '000                                  | '000    | '000                                | '000    |
| Number of shares                                                                          |                                       |         |                                     |         |
| Weighted average number of ordinary shares for the purposes of basic earnings per share   | <b>428,690</b>                        | 325,090 | <b>425,365</b>                      | 325,090 |
| Effect of dilutive potential ordinary share in respect of:                                |                                       |         |                                     |         |
| – share options                                                                           | <b>10,478</b>                         | 1,196   | <b>10,019</b>                       | 2,072   |
| – convertible bonds                                                                       | –                                     | 96,978  | –                                   | 96,978  |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | <b>439,168</b>                        | 423,264 | <b>435,384</b>                      | 424,140 |

### Discontinued operations

No basic and diluted earnings or loss per share from discontinued operations for the three months and six months ended 30 June 2011 have been presented as the Group has no profit or loss from the discontinued operations for these periods.

Basic and diluted loss per share for the discontinued operations for the three months and six months ended 30 June 2010 are 0.39 HK cent and 1.11 HK cents per share respectively, based on the loss for these periods from discontinued operations of HK\$1,282,000 and HK\$3,611,000 respectively and the weighted average number of ordinary shares of 325,090,000 shares.

## 8. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group had additions to property, plant and equipment of approximately HK\$16,914,000 and disposed of property, plant and equipment with net book value of approximately HK\$954,000 for proceeds of about HK\$1,337,000.

## 10. TRADE AND NOTE RECEIVABLES

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 is generally for 90 days.

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

|                    | 30 June<br>2011<br>HK\$'000 | 31 December<br>2010<br>HK\$'000 |
|--------------------|-----------------------------|---------------------------------|
| Within 90 days     | <b>172,636</b>              | 182,897                         |
| 91 – 180 days      | <b>43,429</b>               | 38,105                          |
| 181 – 365 days     | <b>26,551</b>               | 12,740                          |
| More than 365 days | –                           | 1,257                           |
|                    | <b>242,616</b>              | 234,999                         |

## 11. TRADE AND NOTE 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:

|                    | <b>30 June<br/>2011<br/>HK\$'000</b> | <b>31 December<br/>2010<br/>HK\$'000</b> |
|--------------------|--------------------------------------|------------------------------------------|
| Within 30 days     | <b>61,735</b>                        | 61,679                                   |
| 31 – 90 days       | <b>77,245</b>                        | 78,616                                   |
| 91 – 180 days      | <b>43,195</b>                        | 27,771                                   |
| 181 – 365 days     | <b>346</b>                           | 1,187                                    |
| More than 365 days | <b>214</b>                           | 387                                      |
|                    | <b>182,735</b>                       | 169,640                                  |

## 12. BANK BORROWINGS

During the six months ended 30 June 2011, the Group obtained new short-term bank loans in the amount of approximately HK\$59.5 million. The loans bear interest at variable market rates and repayable within one year. Repayments of short-term bank loans amounting to approximately HK\$47.1 million were made during the period.

## 13. SHARE CAPITAL

|                                         | <b>'000</b>       | <b>HK\$'000</b> |
|-----------------------------------------|-------------------|-----------------|
| <b>Authorised:</b>                      |                   |                 |
| Ordinary shares of HK\$0.01 each        |                   |                 |
| At 31 December 2010 and 30 June 2011    | <b>20,000,000</b> | <b>200,000</b>  |
| <b>Issued and fully paid:</b>           |                   |                 |
| Ordinary shares of HK\$0.01 each        |                   |                 |
| At 31 December 2010                     | 421,965           | 4,220           |
| Shares issued under share option scheme | 8,500             | 85              |
| At 30 June 2011                         | <b>430,465</b>    | <b>4,305</b>    |

During the six months ended 30 June 2011, the Company allotted and issued 8,500,000 shares of HK\$0.01 each in the share capital of the Company for cash at the exercise price of HK\$0.666 per share as a result of the exercise of share options.



#### 14. CAPITAL COMMITMENT

|                                                                                                                                                                       | 30 June<br>2011<br>HK\$'000 | 31 December<br>2010<br>HK\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | <u>53,498</u>               | <u>74,285</u>                   |

#### 15. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2011, the Group entered into the following transactions with related parties:

##### (a) Sales and purchases

|                                                                                  | For the six months ended<br>30 June |                  |
|----------------------------------------------------------------------------------|-------------------------------------|------------------|
|                                                                                  | 2011<br>HK\$'000                    | 2010<br>HK\$'000 |
| Sonavox Electronics (Suzhou Industrial Park) Company Limited ("SSIP") (Note (i)) |                                     |                  |
| – Sales of goods                                                                 | <u>22</u>                           | <u>82</u>        |

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

|                                                                                                                                                     | 30 June<br>2011<br>HK\$'000 | 31 December<br>2010<br>HK\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------------------|
| Amount due from Suzhou City Xiangchen District<br>Yuanhe Town Collective Assets Operation Company,<br>a non-controlling shareholder of a subsidiary | <u>2,992</u>                | <u>2,934</u>                    |
| Amount due to Suzhou City Xiangchen District<br>Yuanhe Town Collective Assets Operation Company,<br>a non-controlling shareholder of a subsidiary   | <u>(12,043)</u>             | <u>(11,807)</u>                 |
| Amount due to Wuxian City Likou Town Collective<br>Assets Operation Company, a non-controlling<br>shareholder of a subsidiary                       | <u>(534)</u>                | <u>(539)</u>                    |
| Trade receivables from SSIP ( <i>Note (i)</i> )                                                                                                     | <u>26</u>                   | <u>10</u>                       |
| Trade payables to Sonavox Electronics Inc. ( <i>Note (i)</i> )                                                                                      | <u>(4)</u>                  | <u>(4)</u>                      |

The Group has not provided any impairment loss in respect of the receivables due from related parties nor has any guarantee been given to or received from any related parties.

*Notes:*

- (i) Mr. Yang Tsu Ying and Mr. Yang Ching Yau, the former and current directors of the Company respectively, have control over SSIP and Sonavox Electronics Inc., and in their opinion, the above transactions with related companies are carried out in the ordinary course of business on terms as agreed with the related companies.

## 16. ACQUISITIONS OF BUSINESSES

On 18 January 2011, the Group acquired 100% equity interest in Time Pro International Company Limited (“Time Pro”), a private limited company incorporated in Thailand, with cash consideration of HK\$5,500,000. This acquisition aims to facilitate negotiation with regards to investment in certain heat generation projects in Thailand.

The fair value of identifiable assets and liabilities of Time Pro arising from the acquisition as follows:

|                                                | <b>Fair value</b><br><i>HK\$'000</i> |
|------------------------------------------------|--------------------------------------|
| Plant and equipment                            | 1                                    |
| Cash and bank balances                         | 3,916                                |
| Other payables                                 | (222)                                |
|                                                | <hr/>                                |
| Fair value of identifiable net assets acquired | 3,695                                |
|                                                | <hr/> <hr/>                          |
| Total consideration satisfied by cash          | 5,500                                |
| Fair value of identifiable net assets acquired | (3,695)                              |
|                                                | <hr/>                                |
| Goodwill arising on acquisition                | 1,805                                |
|                                                | <hr/> <hr/>                          |

## 17. EVENTS AFTER THE REPORTING PERIOD

On 9 August 2011, the Company issued the five-year 12% coupon convertible notes in principal amount of RMB33,000,000 (equivalent to approximately HK\$40,000,000) and the warrants entitling the holders thereof to subscribe up to HK\$40,000,000 for 26,666,680 new shares of HK\$0.01 each in the share capital of the Company (the “Warrant Subscription Share(s)”) at the initial subscription price of HK\$1.50 per the Warrant Subscription Share. The details have been set out in the Company’s announcement dated 21 June 2011 and circular dated 13 July 2011.

## **BUSINESS REVIEW AND PROSPECTS**

### **Financial Review**

During the period under review, businesses of the Group continued to record healthy growth in its sales and gross profit ratio. Sales of loudspeaker systems from continuing operations increased by 31.0% to approximately HK\$335.3 million for the six months ended 30 June 2011 (2010: HK\$255.9 million). The increase in overall sales is primarily attributable to the continual growth of the automobile market. Sales of loudspeaker systems for automobiles increased by 32.6% to approximately HK\$327.1 million (2010: HK\$246.6 million), while sales of loudspeakers systems for home theatres decreased by 11.8% to approximately HK\$8.2 million (2010: HK\$9.3 million). The Group maintained steady gross profit ratio from continuing operations of 25.0% for the six months ended 30 June 2010 (2010: 25.4%).

In August 2010, the Group disposed of the Indigo Group, in efforts to streamline its operations and improve operational efficiency. The Indigo Group is primarily engaged in the provision of design, development and marketing of home and automobile audio products in the North American, European and Asian markets. The Indigo Group has been loss-making for the previous years, and incurred a net loss of approximately HK\$3.6 million for the six months ended 30 June 2010.

As a result of increase in the sales and the disposal of the loss-making Indigo Group in 2010, the Group recorded net profit of approximately HK\$19.3 million for the six months ended 30 June 2011 (2010: HK\$9.2 million).

### **Business Review**

During the period under review, the Group continued to strengthen its core business and streamline group operations in the manufacturing and sale of quality and high performance loudspeaker systems to consumer electronics companies and leading global automobiles, including Ford Motor Company, Volkswagen and Audi.

On the back of improving economic conditions and global consumer appetite, the Group recorded an improvement in turnover of 31.0% from continuing operations to approximately HK\$335.3 million for the six months ended 30 June 2011 (2010: HK\$255.9 million).

Mainland China and Europe are the major markets for the Group's turnover, contributing to 38% and 43% respectively of the Group's turnover from continuing operations for the six months ended 30 June 2011 (2010: 43% and 22% respectively). The Group has secured a position as a leading loudspeaker manufacturer in China with its steadfast business relationships with leading automobile players.

In light of the increasingly sanguine market conditions for environmental protection industry and the Company's strategy to seek sustainable business opportunities, in January 2011, the Company announced acquisitions of Confident Echo Holdings Limited and its subsidiaries (the "Shengyi Environmental Group") and Time Pro International Company Limited ("Time Pro"), two groups of companies respectively engaged in environmental protection businesses in China and Thailand. The Shengyi Environmental Group excels in the areas of desulphurisation, which are of particular emphasis for toxin-emitting industries, such as coal chemical processing. The Company would use Time Pro to conduct negotiations with regards to investments in certain head generation projects in Thailand. The Group expects that the new business opportunities will strengthen and diversify the Group's revenue base, and provide synergistic benefits to the long term development of the Group in China and Thailand.

### **Prospects**

Riding on the rapidly recuperating global economy and improving sentiment in consumer spending, the Group is positive on the prospects of the loudspeaker business and the environmental protection business.

The Board believes that the environmental protection sector carries immense growth potential and it is sanguine about the future prospects of the businesses and that the businesses will be value accretive to the Group. It is anticipated that with the insight and experience of the Shengyi Environmental Group and Time Pro, the Group will be able to build a dedicated platform in environmental protection in the Asia Pacific and emerge as a key player.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

For the six months ended 30 June 2011, the Group's major business operations took place in China and Thailand, financed mainly by the cash revenue generated from operating activities and by corporate borrowings. As at 30 June 2011, the Group had cash and bank balances together with restricted and pledged bank deposits of approximately HK\$77,541,000 (31 December 2010: HK\$86,788,000). The decrease in cash and bank deposits was primarily attributable to the construction of factory buildings to expand production facilities and operation size during the period under review. As at 30 June 2011, the Group had short-term bank loans of approximately HK\$92,731,000 (31 December 2010: HK\$80,287,000) bearing interest rates ranging from 5.31% to 6.60% per annum with repayment within a year, while did not have any bank overdrafts.

As at 30 June 2011, the Group's outstanding number of issued shares of HK\$0.01 each was 430,464,974 shares. During the six months ended 30 June 2011, the Company allotted and issued 8,500,000 shares of the HK\$0.01 each in the share capital of the Company as a result of the exercise of share options.

The Group's gearing ratio, as a percentage of bank and other borrowings over total assets, as at 30 June 2011 was 13% (31 December 2010: 13%).

## **SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS**

Save as disclosed in the section headed “Business Review and Prospects”, during the six months ended 30 June 2011, the Group did not make any significant investments or future plans for materials investments.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as disclosed in the section headed “Business Review and Prospects”, during the six months ended 30 June 2011, the Group did not effect any material acquisitions or disposals which would be required to be disclosed under the GEM Listing Rules.

## **SEGMENT INFORMATION**

### **Manufacturing and sale of loudspeaker system**

Turnover for the six months ended 30 June 2011 amounted to approximately HK\$335.5 million (2010: HK\$255.9 million) or 100% (2010: 100%) of the Group’s turnover from continuing operations.

### **Environment related business**

The Group commenced its environment related business and did not record any turnover during the six months ended 30 June 2011 (2010: Nil).

## **EMPLOYEE INFORMATION**

A breakdown of the number of employees of the Group by function as at 30 June 2011 is set out as follows:

|                                       | <b>2011</b>  | 2010        |
|---------------------------------------|--------------|-------------|
| Management and administration         | <b>101</b>   | 107         |
| Sales and marketing                   | <b>109</b>   | 75          |
| Manufacturing and operations          | <b>1,692</b> | 1,653       |
| Research and development              | <b>44</b>    | 53          |
| Quality assurance and quality control | <b>156</b>   | 139         |
| Finance and accounting                | <b>13</b>    | 12          |
|                                       | <hr/>        | <hr/>       |
| Total                                 | <b>2,115</b> | 2,039       |
|                                       | <hr/> <hr/>  | <hr/> <hr/> |

The Group’s staff costs, including directors’ emoluments, employees’ salaries and retirement benefits scheme contribution amounted to approximately HK\$59,835,000 (2010: HK\$64,645,000).

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.

## **CHARGE ON ASSETS**

As at 30 June 2011, the Group's bank borrowings are secured by land and buildings with the carrying amount approximately HK\$102.6 million (31 December 2010: HK\$97.5 million).

## **CONTINGENT LIABILITIES**

As at 30 June 2011, the Group did not have any material contingent liabilities (31 December 2010: Nil).

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

During the period under review, the Group's transactions were mainly denominated in Renminbi, United States dollars, Euro, Thai Baht and Hong Kong dollars. The Group did not use any financial instruments for hedging purposes as at 30 June 2011 (31 December 2010: Nil).

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

As at 30 June 2011, 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<br>ordinary<br>shares held | Number of<br>underlying<br>shares held | Total       | Percentage<br>of issued share<br>capital of<br>the Company |
|--------------------|--------------------------------------|--------------------------------------|----------------------------------------|-------------|------------------------------------------------------------|
| Mr. Shan Xiaochang | Interest of a controlled corporation | 239,556,536                          | –                                      | 239,556,536 | 55.65%                                                     |

*Note:* 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.

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 2011.

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

As at 30 June 2011, 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<br>ordinary<br>shares held | Number of<br>underlying<br>shares held | Total       | Percentage<br>of issued share<br>capital of<br>the Company |
|--------------------------------------------------|--------------------------------------|--------------------------------------|----------------------------------------|-------------|------------------------------------------------------------|
| Zhongyu Group Holdings Limited ( <i>Note 1</i> ) | Beneficial owner                     | 239,556,536                          | –                                      | 239,556,536 | 55.65%                                                     |
| Mr. Shan Xiaochang ( <i>Note 1</i> )             | Interest of a controlled corporation | 239,556,536                          | –                                      | 239,556,536 | 55.65%                                                     |
| Ms. Wu Shuhua ( <i>Note 2</i> )                  | Interest of spouse                   | 239,556,536                          | –                                      | 239,556,536 | 55.65%                                                     |
| Mr. Chan Ping Yee                                | Beneficial owner                     | 73,675,000                           | –                                      | 73,675,000  | 17.12%                                                     |
| Ms. Liu Sau Wan ( <i>Note 3</i> )                | Interest of spouse                   | 73,675,000                           | –                                      | 73,675,000  | 17.12%                                                     |

*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. 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 239,556,536 shares in which Mr. Shan Xiaochang is interested.
3. 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.



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 2011.

## SHARE OPTIONS

The Group adopted a share option scheme which became effective on 8 July 2002. Under which, share options are granted to any employees, consultants or professional advisors, and suppliers or customers of the Group. 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.

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<br>HK\$ | Outstanding at 1 January 2011 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding at 30 June 2011 |
|---------------------------------|--------------------------------------|-------------------------------------------------|-------------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|
| (a) Directors                   | -                                    | -                                               | -                             | -                         | -                           | -                        | -                           |
| (b) Others in aggregate         | 25 November 2010 to 24 November 2020 | 0.666                                           | 32,000,000                    | -                         | 8,500,000                   | -                        | 23,500,000                  |
|                                 |                                      |                                                 | <u>32,000,000</u>             | <u>-</u>                  | <u>8,500,000</u>            | <u>-</u>                 | <u>23,500,000</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.

## 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.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

Mr. Yang Ching Yau, executive Director, is engaged in the business of manufacturing and trading of various types of loudspeakers through Sonavox Electronics (Suzhou Industrial Park) Company Limited, Sonavox Electronics Inc., Sonavox Electronics Limited, Fortune Win Limited, Asian Elite International Company Limited and their respective subsidiaries and associated companies (collectively known as the "Private Group"). As the business of the Group is overlapping with that of the Private Group to the extent that the Private Group is engaged in the manufacture and sale of loudspeakers for automotive aftermarket, Mr. Yang Ching Yau and the Private Group have entered into the deed of undertaking on 15 July 2002 with the Company pursuant to which Mr. Yang Ching Yau and the Private Group have given to the Group certain non-compete and referral of business opportunities undertakings.

Save as disclosed above, 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.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding directors' securities transactions on terms 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 2011.

## **CORPORATE GOVERNANCE PRACTICES AND PROCEDURES**

The Group believes that enhancing good corporate governance demands long-term commitment from management and that the distinctive roles and functions of different commitments are important in strengthening internal control.

The Board is of the view that the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2011, except that 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.

## 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. Lee Kam Fan Andrew, Mr. Wang Jialian and Mr. Wang Zhihua who are the independent non-executive Directors.

The Group's unaudited results for the six months ended 30 June 2011 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, 10 August 2011

*As at the date of this announcement, the Board comprises of four executive Directors, namely Mr. Shan Xiaochang, Ms. Shan Zhuojun, Mr. Ma Arthur On-hing and Mr. Yang Ching Yau; and three independent non-executive Directors, namely Mr. Lee Kam Fan Andrew, Mr. Wang Jialian and Mr. Wang Zhihua.*

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