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 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 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 annual consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011, together with the comparative figures as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	5	**724,008**	587,562
Cost of sales		**(576,142)**	(435,318)
Gross profit		**147,866**	152,244
Other revenue, gains and losses (net)		**(4,248)**	9,755
Loss arising from fair value change of derivative financial instrument		**(13,179)**	(74,290)
Selling and marketing costs		**(23,475)**	(16,828)
Administrative expenses		**(130,017)**	(105,845)
Finance costs	6	**(10,428)**	(6,673)
Loss before income tax expense		**(33,481)**	(41,637)
Income tax expense	8	**(9,162)**	(10,207)
Loss for the year from continuing operations		**(42,643)**	(51,844)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(3,317)
Loss for the year		**(42,643)**	(55,161)
Other comprehensive income			
– gain on revaluation of properties		**–**	6,395
– income tax relating to revaluation of properties		**–**	(1,130)
– exchange differences on translating foreign operations		**1,797**	9,437
– reclassification adjustment relating to disposal of subsidiaries		**–**	(2,358)
Other comprehensive income for the year, net of tax		**1,797**	12,344
Total comprehensive income for the year		**(40,846)**	(42,817)

	Notes	**2011** *HK$'000*	2010 *HK$'000*
(Loss)/profit attributable to:			
– owners of the Company		**(49,780)**	(77,907)
– non-controlling interests		**7,137**	22,746
		(42,643)	(55,161)
Total comprehensive income attributable to:			
– owners of the Company		**(46,865)**	(71,231)
– non-controlling interests		**6,019**	28,414
		(40,846)	(42,817)
Loss per share from continuing operations (2010: continuing and discontinued operations) (HK cents)			
– basic and diluted	9	**(11.61)**	(23.52)
Loss per share from continuing operations (HK cents)			
– basic and diluted	9	**(11.61)**	(22.52)

Consolidated Statement of Financial Position
As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**237,746**	179,737
Investment properties		**31,340**	30,170
Payments for leasehold land held for own use under operating leases		**19,618**	16,173
Deferred tax assets		**324**	233
Prepayments		**27,708**	–
Intangible assets		**16,444**	–
Goodwill		**3,204**	–
Other financial asset		**3,736**	–
Total non-current assets		**340,120**	226,313
Current assets			
Inventories		**96,686**	57,220
Trade and note receivables	11	**228,339**	234,999
Prepayments, deposits and other receivables		**28,937**	31,487
Amount due from a non-controlling shareholder of a subsidiary		**–**	2,934
Restricted and pledged bank deposits		**28,445**	12,000
Cash and cash equivalents		**121,505**	74,788
Total current assets		**503,912**	413,428
Total assets		**844,032**	639,741
Current liabilities			
Trade and note payables	12	**230,131**	169,640
Accruals and other payables		**93,777**	88,742
Amounts due to directors		**2,848**	2,110
Amounts due to non-controlling shareholders of subsidiaries		**46,927**	12,346
Bank borrowings – due within one year		**121,186**	80,287
Current tax liabilities		**776**	5,354
Total current liabilities		**495,645**	358,479
Net current assets		**8,267**	54,949
Total assets less current liabilities		**348,387**	281,262

	2011	2010
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred tax liabilities	**11,535**	2,984
Embedded derivatives	**15,837**	–
Convertible loan notes	**24,776**	–
Unlisted warrants	**14,736**	–
Total non-current liabilities	**66,884**	2,984
NET ASSETS	**281,503**	278,278
Capital and reserves attributable to owners of the Company		
Share capital	**4,318**	4,220
Reserves	**123,788**	146,950
Equity attributable to owners of the Company	**128,106**	151,170
Non-controlling interests	**153,397**	127,108
TOTAL EQUITY	**281,503**	278,278

Notes:

1. GENERAL INFORMATION

The principal activities of the Company and the Group were investment holding and manufacturing and sales of loudspeaker systems to customers in the People's Republic of China (the "PRC") and overseas markets respectively.

During the year, the Group acquired several subsidiaries engaged in heat generation projects, environment related business and manufacturing and sales of loudspeaker systems, respectively.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of the new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for land and buildings, investment properties and financial instruments, which are measured at revalued amounts or fair values as appropriate.

4. 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 year, the Group had two reportable segments, namely the manufacturing and sales of loudspeaker systems and environment related business. They were managed separately based on their business nature. In 2010, the Group had two reportable segments managed separately based on their geographical locations, namely the Mainland China and North America. On 25 August 2010, the North America segment was disposed of and was presented as a discontinued operation. As the management actively developed the environment related business in 2011, the management considered that the change in reportable segments could better reflect the nature and financial effects of the business activities in which the Group engages and the economic environments in which the Group operates. Corresponding information for the year ended 31 December 2010 has been restated accordingly.

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 consolidated financial statements are as follows:

Year ended 31 December 2011

	Manufacturing and sales of loudspeaker systems *HK$'000*	Environment related business *HK$'000*	Unallocated *(Note (c))* *HK$'000*	Consolidated *HK$'000*
Revenue from external customers *(Note (a))*	**724,008**	**–**	**–**	**724,008**
Reportable segment profit/(loss) *(Note (b)(i))*	**25,248**	**(22,293)**	**(36,436)**	**(33,481)**
Depreciation and amortisation	**19,752**	**2,363**	**282**	**22,397**
Interest income	**639**	**39**	**–**	**678**
Interest expense	**7,470**	**2,958**	**–**	**10,428**
Reversal of impairment loss on inventories	**602**	**–**	**–**	**602**
Reversal of impairment loss on trade receivables	**808**	**–**	**–**	**808**
Gain arising from fair value change of embedded derivatives	**–**	**757**	**–**	**757**
Loss arising from fair value change of unlisted warrants	**–**	**13,936**	**–**	**13,936**
Impairment loss on other financial asset	**–**	**1,186**	**–**	**1,186**
Loss arising from fair value change of investment properties	**1,979**	**–**	**–**	**1,979**
Income tax expense/(credit)	**9,550**	**(388)**	**–**	**9,162**
Reportable segment assets *(Note (b)(ii))*	**759,686**	**81,595**	**2,751**	**844,032**
Reportable segment liabilities *(Note (b)(iii))*	**475,597**	**84,398**	**2,534**	**562,529**
Addition to non-current assets:				
– property, plant and equipment	**53,905**	**998**	**60**	**54,963**
– investment properties	**2,067**	**–**	**–**	**2,067**
– prepayments	**–**	**27,708**	**–**	**27,708**

Year ended 31 December 2010 (restated)

	Manufacturing and sales of loudspeaker systems *HK$'000*	Environment related business *HK$'000*	Unallocated *(Note (c))* *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	653,722	–	–	653,722
Reportable segment profit/(loss)	48,040	–	(92,994)	(44,954)
Depreciation and amortisation	18,918	–	198	19,116
Interest income	313	–	–	313
Interest expense	8,424	–	1,758	10,182
Impairment loss on inventories	1,308	–	–	1,308
Impairment loss on trade receivables	3,426	–	–	3,426
Loss arising from fair value change of embedded derivatives	8,790	–	74,290	83,080
Gain arising from fair value change of investment properties	3,267	–	–	3,267
Income tax expense	10,207	–	–	10,207
Reportable segment assets	612,425	–	27,316	639,741
Reportable segment liabilities	357,159	–	4,304	361,463
Addition to non-current assets:				
– property, plant and equipment	27,629	–	881	28,510

Notes:

(a) The following is an analysis of Group's revenue from its major customers during the year and is attributable to the reportable segment of "Manufacturing and sales of loudspeaker systems":

	2011 ***HK$'000***	2010 *HK$'000*
Customer A	**113,950**	123,089
Customer B	**–**	73,225

(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 share-based payment, staff salaries and welfare expenses and other benefits.

(ii) The amount mainly represents cash and bank balances in Hong Kong.

(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:

	2011	2010
	HK$'000	*HK$'000*
Loss before income tax expense from continuing operations		
Reportable segment profit	**2,955**	48,040
Segment loss from discontinued operations	**–**	3,317
Depreciation and amortisation	**(282)**	(198)
Directors' emoluments	**(18,383)**	(1,086)
Others	**(17,771)**	(91,710)
Loss before income tax expense from continuing operations	**(33,481)**	(41,637)
Assets		
Reportable segment assets	**841,281**	612,425
Unallocated corporate assets	**2,751**	27,316
Consolidated total assets	**844,032**	639,741
Liabilities		
Reportable segment liabilities	**559,995**	357,159
Unallocated corporate liabilities	**2,534**	4,304
Consolidated total liabilities	**562,529**	361,463

(d) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets"):

	Revenue from external customers		Specified non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**–**	4,496	**888**	861
Mainland China	**285,967**	277,888	**304,808**	225,165
United States	**121,561**	149,165	**–**	–
Germany	**280,055**	174,278	**26**	54
Thailand	**1,204**	857	**30,338**	–
Other countries	**35,221**	47,038	**–**	–
	724,008	653,722	**336,060**	226,080

5. TURNOVER

Turnover, which is also the revenue, represents the net invoiced value of goods sold or service performed, net of discounts and sales related taxes.

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**724,008**	587,562	**–**	66,160	**724,008**	653,722

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:						
– bank and other borrowings wholly repayable within five years	**7,226**	4,915	**–**	359	**7,226**	5,274
– mortgage loan repayable over five years	**–**	41	**–**	–	**–**	41
– convertible loan notes	**2,958**	1,717	**–**	3,140	**2,958**	4,857
– finance lease	**–**	–	**–**	3	**–**	3
– discounted bills	**244**	–	**–**	–	**244**	–
– other	**–**	–	**–**	7	**–**	7
	10,428	6,673	**–**	3,509	**10,428**	10,182

7. LOSS FOR THE YEAR

Loss for the year is arrived at after charging/(crediting):

	Continuing operations		Discontinued operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Inventories recognised as an expense	**576,744**	434,010	**–**	55,479	**576,744**	489,489
(Reversal of)/provision for impairment loss on inventories	**(602)**	1,308	**–**	–	**(602)**	1,308
Cost of sales	**576,142**	435,318	**–**	55,479	**576,142**	490,797
Depreciation of property, plant and equipment	**19,916**	16,777	**–**	918	**19,916**	17,695
Amortisation of intangible assets	**2,071**	–	**–**	1,035	**2,071**	1,035
Amortisation of payments for leasehold land held for own use under operating leases	**410**	386	**–**	–	**410**	386
Auditor's remuneration	**1,108**	430	**–**	–	**1,108**	430
Research and development costs	**23,493**	20,667	**–**	5,005	**23,493**	25,672
Minimum lease payments under operating leases	**1,901**	1,652	**–**	610	**1,901**	2,262
Loss on disposal of property, plant and equipment	**96**	47	**–**	–	**96**	47
Loss/(gain) on change in fair value of investment properties	**1,979**	(3,267)	**–**	–	**1,979**	(3,267)
Gain on disposal of subsidiaries	**–**	(445)	**–**	(9,776)	**–**	(10,221)
Exchange loss (net)	**14,980**	4,763	**–**	157	**14,980**	4,920
(Gain)/loss arising from fair value change of embedded derivatives	**(757)**	74,290	**–**	8,790	**(757)**	83,080
Loss arising from fair value change of unlisted warrants	**13,936**	–	**–**	–	**13,936**	–
Impairment loss on other financial asset	**1,186**	–	**–**	–	**1,186**	–
(Reversal of)/impairment loss on trade receivables	**(808)**	3,426	**–**	–	**(808)**	3,426
Rental income	**(5,276)**	(2,120)	**–**	–	**(5,276)**	(2,120)
Interest income	**(678)**	(309)	**–**	(4)	**(678)**	(313)
Mould income	**(2,981)**	(1,222)	**–**	–	**(2,981)**	(1,222)
Net income from sales of scrap materials	**(1,012)**	(289)	**–**	–	**(1,012)**	(289)
Royalty income	**–**	–	**–**	(5,909)	**–**	(5,909)
Subsidy income *(Note)*	**(954)**	(1,283)	**–**	–	**(954)**	(1,283)

Note:

Subsidy income represents local government subsidies paid to the Group based on the pre-determined level of expenditures spent on certain advanced technology projects by the Group during the year.

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as there is no assessable profits for the group entities operated in Hong Kong during the year ended 31 December 2011.

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

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

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

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax						
– PRC Enterprise Income Tax	**5,501**	10,030	**–**	–	**5,501**	10,030
– Under provision of EIT in prior years	**1,098**	–	**–**	–	**1,098**	–
Deferred tax						
– Current year	**2,563**	177	**–**	–	**2,563**	177
Income tax expense	**9,162**	10,207	**–**	–	**9,162**	10,207

9. LOSS PER SHARE

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

	2011	2010
Loss	***HK$'000***	*HK$'000*
Loss for the purposes of calculating basic and diluted loss per share	**49,780**	77,907
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**428,587**	331,224

The computation of diluted loss per share does not assume the conversion of Company's convertible loan notes, share options and unlisted warrants since their exercise would result in a decrease in loss per share.

Discontinued operations

No basic and diluted earnings or loss per share for the discontinued operations for the reporting period have been presented as it was disposed in the year 2010.

10. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: HK$Nil).

11. TRADE AND NOTE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade and note receivables		
– third parties	**234,983**	239,718
– related parties	**452**	10
	235,435	239,728
Less: Accumulated impairment losses	**(7,096)**	(4,729)
	228,339	234,999

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

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**187,847**	182,897
91 – 180 days	**21,838**	38,105
181 – 365 days	**13,133**	12,740
More than 365 days	**1,869**	1,257
	224,687	234,999
Retention monies	**3,652**	–
	228,339	234,999

In respect of certain environment related projects at the end of the reporting period, the amount of retention monies receivable from customers, included within 'Trade and note receivables' at 31 December 2011 is HK$3,652,000 (2010: HK$Nil). The amount of those retentions expected to be recovered after more than one year is HK$3,091,000 (2010: HK$Nil).

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 Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At 31 December 2011, an aging analysis of the Group's trade and note receivables, that are past due but not impaired is as follows:

	2011	2010
	HK$'000	*HK$'000*
Past due:		
91 – 180 days	**21,838**	36,877
181 – 365 days	**13,133**	12,740
More than 365 days	**1,869**	1,257
	36,840	50,874

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 loss of trade and note receivables for the year:

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**4,729**	2,680
Impairment loss (written back)/recognised	**(1,155)**	3,426
Acquisition of a subsidiary	**3,402**	–
Disposal of subsidiaries	**–**	(56)
Amounts written off as uncollectible	**–**	(1,403)
Translation adjustments	**120**	82
At 31 December	**7,096**	4,729

Included in the allowance for bad and doubtful debts are individually impaired trade receivables of approximately HK$7,096,000 (2010: HK$4,729,000). The Group does not hold any collateral over these balances.

12. TRADE AND NOTE PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade and note payables	**230,131**	169,640

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:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**94,462**	61,679
31 – 90 days	**79,195**	78,616
91 – 180 days	**55,912**	27,771
181 – 365 days	**87**	1,187
More than 365 days	**475**	387
	230,131	169,640

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

According to the Twelfth Five-year Plan of the Chinese government, desulphurisation is one of the seven key environmental protection fields supported by the RMB5 trillion funding from government; by 2020, 7.8 million tonnes of sulfur dioxide emissions will be reduced. Compulsory enforcement of desulphurisation caused fume-emitting factories, such as coal-fired plants, to recycle the sulphur extracted from the hydrogen sulfide (H2S), a toxic acid gas, or the factories will be subject to suspension. In China, 95% of the fossil fuel are coal, of which about one-third are high in sulphur content. Therefore, desulphurisation business is expected to have huge growth potential.

In Thailand, government subsidies are provided to support the development of biomass industry. The Ministry of Industry of Thailand has highlighted the green energy sector as one of the selected sectors to support with over THB14 billion funding. The Thailand Board of Investment has also set out Thailand's Energy Policy and Development Plan in 2006, which is to promote alternative energy development, including applications of biomass, by providing both tax and non-tax incentives.

The sales volume of automobiles in China has been increasing in recent years, with a compound annual growth rate (CAGR) of 25.8% during 2006 to 2010. As the passenger vehicle penetration rate is still low as compared with other developed countries, the growth potential of loudspeaker systems for automobiles in China is very huge.

Business Review

During the year under review, the Group diversified its businesses in the environment related industry in light of the increasingly sanguine market conditions for environmental protection industry and the Company's strategy to seek sustainable business operations.

In 2011, the Company acquired 51% equity interest in Confident Echo Holdings Limited, a private limited company incorporated in the British Virgin Islands at cash consideration of HK$9,500,000. Confident Echo Holdings Limited indirectly holds 100% equity interests in Jiangsu Shengyi Environmental Technology Co., Ltd. and 80% equity interests in Shaanxi Shengyi Environmental Technology Co., Ltd., both which were incorporated in the PRC with limited liabilities (collectively referred to as the "Shengyi Technology Group"). The Shengyi Technology Group is principally engaged in the business of environmental technology engineering and construction. It excels in the areas of desulphurisation, which are of particular emphasis for toxin-emitting industries, such as coal chemical processing.

As the only coal-chemical desulphurisation specialist in Jiangsu, the Shengyi Technology Group stationed in the National Hi-Tech Industrial Development Zone, which has been uniquely and professionally implementing the technology research, development and application of sulphur recycling. The Shengyi Technology Group provides professional services with self-developed technologies which incurs 3 patents, namely direct oxidization, tail gas recycling dilution and C-C two sectioned method. As at 31 December 2011, there are 6 outstanding uncompleted orders on hand not yet recognized, with total contract sum of approximately RMB99.5 million (equivalent to approximately HK$121.7 million), and certain of them are expected to be completed and generate profit in 2012.

On 18 January 2011, the Group completed acquisition of 100% equity interest in Time Pro International Company Limited ("Time Pro"), a private limited company incorporated in Thailand at cash consideration of HK$5,500,000. This acquisition aims to facilitate negotiation with regards to investment in certain heat generation projects in Thailand. In September 2011, Time Pro entered into a contract with a vendor to purchase 2 sets of gasifier machines for a total consideration of US$4,000,000 (equivalent to approximately HK$31,200,000) to supply heat energy. In the same month, Time Pro also entered into a contract with a contractor to undertake the construction work for the construction of a heat production plant employing biomass gasification system in Thailand at an aggregate consideration of THB174,700,000 (equivalent to approximately HK$45,400,000).

Time Pro is the first company to provide biomass heat generation service in Thailand by utilizing bio-waste into green alternative energy. It provides cost saving and green solution to industrial manufacturers in Thailand. Through full installation and plant operation, the systems are installed and connected at the client's factory. Most of the projects are ceramic industry related, which require huge amount of heat generation.

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.

The Group also continued to strengthen its business and streamline group operations in the manufacturing and sale of quality and high performance loudspeaker systems for leading global automobiles. On the back of improving economic conditions and global consumer appetite, the Group recorded an improvement in turnover of 23.2% from continuing operations to approximately HK$724.0 million for the year ended 31 December 2011 (2010: HK$587.6 million). Mainland China and Germany are the major markets for the Group's turnover, contributing to 39.5% and 38.7% respectively of the Group's turnover from continuing operations for the year ended 31 December 2011 (2010: 46.8% and 29.7% respectively). The Group has secured a position as a leading loudspeaker manufacturer in China with its steadfast business relationships with leading automobile players.

Financial Review

During the year under review, businesses of the Group continued to record healthy growth in its sales. Sales of loudspeaker systems from continuing operations increased by 23.2% to approximately HK$724.0 million for the year ended 31 December 2011 (2010: HK$587.6 million). The increase in overall sales is primarily attributable to the continual growth of the automobile market. During the year ended 31 December 2011, sales of loudspeaker systems for automobiles increased by 24.2% to approximately HK$701.7 million (2010: HK$565.2 million), while the Group recorded sales of loudspeaker systems for home theatres of approximately HK$22.3 million (2010: HK$22.4 million). The Group's gross profit ratio from continuing operations was decreased to 20.4% for the year ended 31 December 2011 (2010: 25.9%) mainly because of the fluctuation in the raw material pricing.

On 9 August 2011, the Company issued five-year 12% convertible loan notes (the "Convertible Loan Notes") in principal amount of RMB33,000,000 (equivalent to approximately HK$40,000,000) and 40 unlisted warrants (the "Warrants") at subscription proceeds of HK$800,000. The Convertible Loan Notes could be converted into ordinary shares of the Company at latest reset conversion price of HK$0.715 per share, while the warrants could be exercised at latest reset exercise price of HK$0.715 per share. The net proceeds from the issue of the Convertible Loan Notes and the Warrants in aggregate of approximately HK$38.0 million would be used for the business development and operation of the environment related business in Thailand, financing investments of the Group and/or the general working capital of the Group.

During the year ended 31 December 2011, the Group recorded net loss of approximately HK$42.6 million (2010: HK$55.2 million). Such loss was mainly attributable to (i) the fair value loss (the "Fair Value Loss") of approximately HK$13.9 million and HK$18.1 million recognized by the Company for the Warrants issued by the Company and share options granted by the Company respectively during the year ended 31 December 2011; and (ii) the increase in administrative expenses of the Group resulting from expansion of its manufacturing and sales of loudspeaker systems and development of its new environment related business. The Fair Value Loss was non-cash in nature and did not have any impact on the operating cash flows of the Group.

Prospects

As the market demand for desulphurisation in chemical industries in China and biomass heat generation for ceramic industries in Thailand continue to increase, combined with the government support and subsidize to green business, the Group is expected to obtain more projects and generate greater revenue in the future.

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 Technology 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.

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 environment related business.

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 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 (the "CG Code") to the Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2011, except for 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 auditor 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 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. Lee Kam Fan, Andrew, Mr. Wang Jialian and Mr. Wang Zhihua 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 2011 with the management and the external auditors.

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

Hong Kong, 23 March 2012

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" for at least seven days from its date of posting and on the Company's website at "www.sunrisechina-tech.com".