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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

On 23 December 2013 (after trading hours of the Stock Exchange), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to dispose of the Sale Shares to the Purchaser and the Purchaser conditionally agreed to acquire the Sale Shares from the Company at an aggregate consideration of HK\$50,980,962 which is satisfied in cash and shall be payable by the Purchaser to the Company in the following manner: (a) a sum of HK\$22,000,000, being the deposit and part of the Consideration, has been paid by the Purchaser to the Company upon signing of the Sale and Purchase Agreement; and (b) the remaining balance of HK\$28,980,962 shall be payable by the Purchaser to the Company upon Completion.

As the relevant percentage ratio(s) under Chapter 19 of the GEM Listing Rules exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.

The Company has obtained a written approval for the Disposal in accordance with Rule 19.44 of the GEM Listing Rules from Zhongyu Group which is beneficially interested in 239,556,536 Shares, representing approximately 55.5% of the issued share capital of the Company as at the date of this announcement. On the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting to approve the Disposal; and (ii) the Company has obtained a written approval for the Disposal from Zhongyu Group which holds approximately 55.5% in nominal value of the issued Shares giving the right to attend and vote at that general meeting to approval the Disposal, no extraordinary general meeting will be convened for the purpose of approving the Disposal as permitted under Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, further details of the Disposal is expected to be despatched to the Shareholders on or before 31 January 2014, as the Company will require more than 15 Business Days after publication of this announcement to prepare the relevant information to be included in the circular.

As Completion is subject to the fulfillment of a number of conditions precedent, the Disposal may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares.

The Board is pleased to announce that on 23 December 2013 (after trading hours of the Stock Exchange), the Sale and Purchase Agreement was entered into between the Company and the Purchaser in relation to the disposal of the Sale Shares. Set out below are the principal terms of the Sale and Purchase Agreement:

THE SALE AND PURCHASE AGREEMENT

Date: 23 December 2013

Parties: (1) the Company, as vendor
(2) HongKong Xiangeqing Food Investment Co., Limited, as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its beneficial owner(s) are Independent Third Parties.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Company has conditionally agreed to sell, the Sale Shares. The Sale Shares represents 51% of the entire issued share capital of the Disposed Company. Upon Completion, the Company will not hold any interest in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Company.

Consideration

The Consideration for the Sale Shares is HK\$50,980,962 which is satisfied in cash and shall be payable by the Purchaser to the Company in the following manner:

- (a) a sum of HK\$22,000,000, being the deposit and part of the Consideration (the "**Deposit**"), has been paid by the Purchaser to the Company upon signing of the Sale and Purchase Agreement; and
- (b) the remaining balance of HK\$28,980,962 shall be payable by the Purchaser to the Company upon Completion.

In the event that (i) the Company terminates the transactions contemplated under the Sale and Purchase Agreement before the Completion Date, the Company will refund the Deposit (without interest) to the Purchaser upon or within seven Business Days after signing the deed of termination to terminate the Sale and Purchase Agreement; and (ii) the Purchaser terminates the transactions contemplated under the Sale and Purchase Agreement before the Completion Date, the Deposit shall not be refundable by the Company to the Purchaser. None of the parties shall take any action to claim for damages or to enforce specific performance or any other rights and remedies and the Sale and Purchase Agreement shall cease to have any effect (save as otherwise provided therein). No party shall have any obligations and liabilities towards the other party save for any antecedent breaches of the terms thereof.

The Consideration was determined after arm's length negotiations between the Purchaser and the Company with reference to (i) the Group's total investment in the Disposal Group since acquisition amounting to approximately HK\$9.5 million; and (ii) the premium of approximately 436.6% to the total investment in the Disposal Group since acquisition.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions:

- (a) all requirement under the laws of (including approval from the Stock Exchange, if any) PRC, Hong Kong, BVI, Cayman Islands and other countries in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (b) the approval in the Board's meeting and Shareholders' general meeting of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained (obtaining the written resolution(s) of the controlling shareholder of the Company shall be deemed to have obtained the approval of the Shareholders' general meeting); and
- (c) the representations, warranties and undertakings given by the Purchaser under the Sale and Purchase Agreement remain true and accurate in all respects at any time from the date of the Sale and Purchase Agreement up to and including the Completion Date.

None of the above conditions can be waived. If the above conditions are not satisfied on or before 4:00 p.m. on the Long Stop Date (or such later date as the parties may agree), the Sale and Purchase Agreement shall terminate and no party shall have any obligations and liabilities under the Sale and Purchase Agreement save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place at 4:00 p.m. on the Completion Date. If Completion does not take place in accordance with the terms and conditions of the Sale and Purchase Agreement, the Sale and Purchase Agreement shall cease and determine (save as otherwise provided therein) and no party shall have any obligations and liabilities towards the other parties save for any antecedent breaches of the terms thereof.

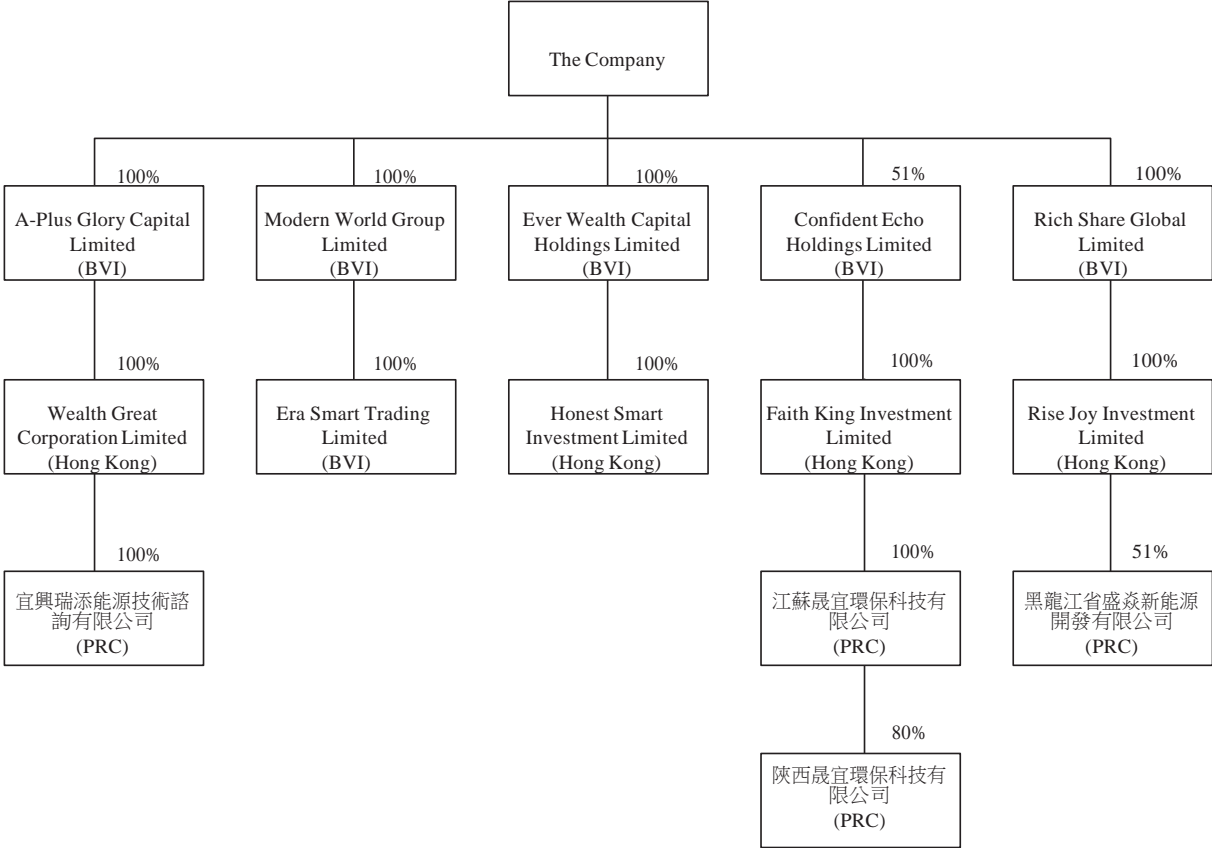
Upon Completion, the Company will cease to hold any issued share capital in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Group.

INFORMATION ON THE DISPOSAL GROUP

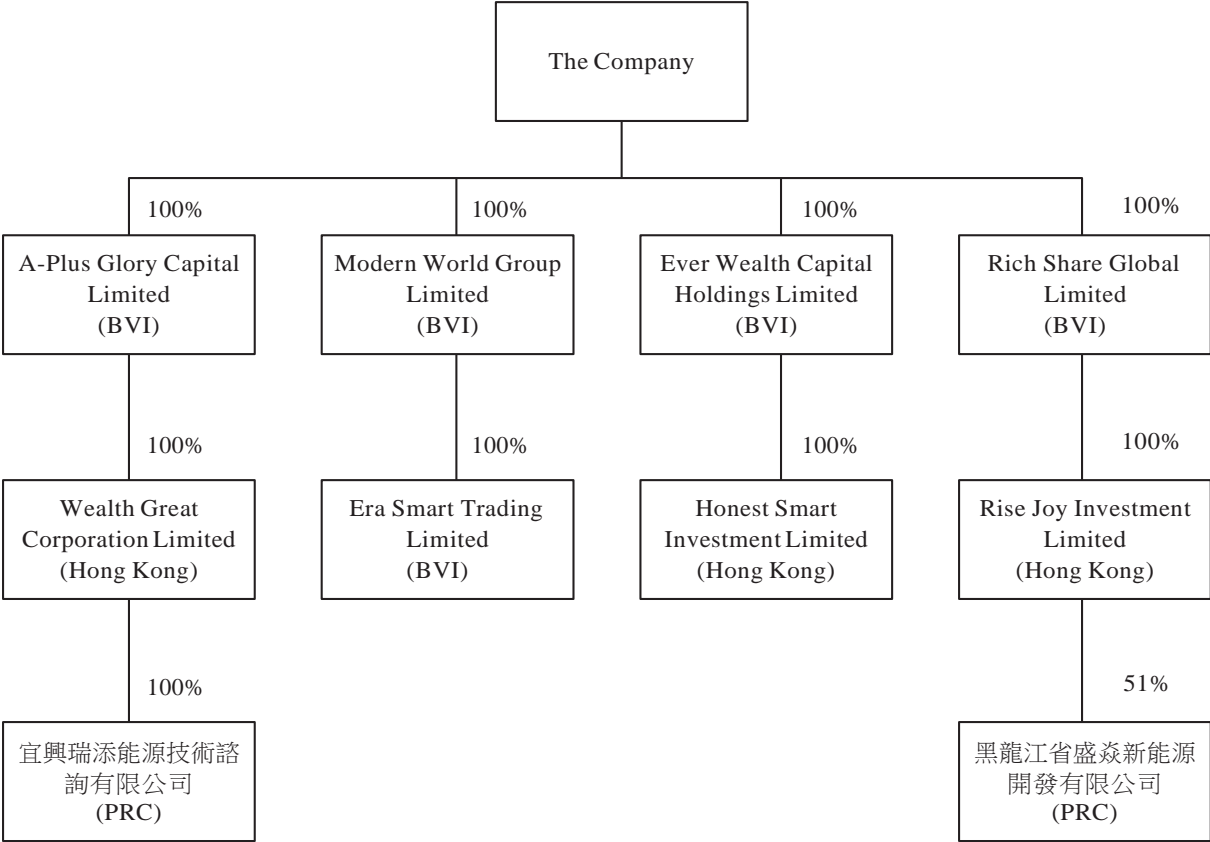
The Disposed Company, which was incorporated in BVI, is an investment holding company and is owned as to 51% by the Company. The Disposal Group is principally engaged in the provision of technological desulphurization service, which can effectively reduce sulfur dioxide and hydrogen sulfide emissions generated from burning of fossil fuels such as coal, natural gas and oil products.

To the best of the knowledge, information and belief of the Directors, the following diagram sets out the shareholding structure of the Group before and after Completion:

Before Completion



After Completion
The Remaining Group



Set out below is a summary of the unaudited consolidated financial information of the Disposal Group prepared in accordance with Hong Kong Financial Reporting Standards (subject to audit) since completion of the Group's acquisition of the Disposal Group in September 2011:

	For the year ended 31 December 2011	For the year ended 31 December 2012
	(unaudited)	(unaudited)
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover	–	20,417
Net loss before taxation	(2,517)	(13,310)
Net loss after taxation	(2,130)	(11,388)

The unaudited net asset value of the Disposal Group (subject to audit) was approximately HK\$4,985,000 as at 31 December 2012.

INFORMATION OF THE REMAINING GROUP

Upon Completion, the Remaining Group will be principally engaged in the production and sale of straw fuel briquettes, which is a type of biofuels and a substitute for coal, in the northeast region of the PRC through its subsidiary, Heilongjiang Shengyan. The Group completed the acquisition of its 51% interest in Heilongjiang Shengyan in December 2012, further details of which are disclosed in the announcement of the Company dated 30 October 2012.

Heilongjiang Shengyan was incorporated in the PRC in July 2010 with a registered capital of RMB30 million. The production of Heilongjiang Shengyan is mainly conducted in one main plant and 30 sub-plants located at the Baiquan County of Heilongjiang Province with a production capacity of approximately 200,000 tonnes per year. The major assets of Heilongjiang Shengyan consist of land and buildings, 52 sets of straw briquette manufacturing devices and inventories. Heilongjiang Shengyan also owns technology patents in the production of straw fuel briquettes. Heilongjiang Shengyan is currently the largest company engaged in the manufacturing and sale of straw fuel briquettes in Heilongjiang Province. It has built 10 more sub-plants and increased its production capacity by 40,000 tonnes in the previous year. It is expected that Heilongjiang Shengyan will continue to increase its production capacity by building more sub-plants in Heilongjiang Province and neighbourhood provinces such as Jilin and Hebei Provinces as well as expand its product usage as fertilizers or animal feed though the Group has no exact future detailed plans of the scale of target production capacity or timing of the development plan. Due to its strong market position in Heilongjiang Province, Heilongjiang Shengyan has stable straw supplies and product demand and receives support from the local government.

Since established in 2010, Heilongjiang Shengyan has been granted annual subsidy amounting to approximately RMB3.2 million and RMB18.8 million for the year ended 31 December 2010 and 2011 respectively based on its annual volume of sales in 2010 and 2011 respectively, offered by the Ministry of Finance of the State Council of the PRC. According to the website of the Ministry of Finance of the PRC publishing the list of companies who had been granted straw energy utilization subsidy, Heilongjiang Shengyan is the largest straw utilization manufacturer in Heilongjiang Province in terms of annual sales in 2011. Heilongjiang Shengyan only recorded the subsidy income as other revenue below gross profit item in its accounts when it received the subsidy income. The annual subsidy of RMB3.2 million was received during the year ended 31 December 2011. Heilongjian Shengyan recorded turnover, gross profit and net profits of approximately RMB46.6 million, RMB60,499 and RMB673,722 respectively for the year ended 31 December 2011. The annual subsidy of RMB18.8 million was received in March 2013 and therefore was not booked in the accounts of Heilongjiang Shengyan for the year ended 31 December 2012. Heilongjiang Shengyan recorded turnover, gross profit and net profits of approximately RMB77.4 million, RMB12.4 million and RMB9.0 million respectively for the year ended 31 December 2012. The subsidy granted is significant to the net profits of Heilongjiang Shengyan but has no effects on the turnover and gross profit of Heilongjiang Shengyan. Since the Group completed the acquisition of Heilongjiang Shengyan in December 2012 and Heilongjiang Shengyan had been able to generate net profits of RMB9.0 million for the year ended 31 December 2012 without recognising the subsidy income in its accounts, the Directors are of the view that the extent of the reliance on subsidy income by Heilongjiang Shengyan has weakened in 2012 as compared to 2011 and it is expected that the reliance on subsidy income by Heilongjiang Shengyan will continue to decrease as Heilongjiang Shengyan will expand its production capacity and gradually raise the product price year by year. Based on the historical average subsidy granted per tonne of products produced in 2011 and the annual volume of sales in 2012, it is expected that Heilongjiang Shengyan will be granted subsidy of approximately RMB25 million for the year ended 31 December 2012 and there will be no material adverse impact to the Remaining Group if the subsidy for the year ended 31 December 2012 is not granted.

Based on the unaudited consolidated accounts of the Remaining Group (subject to audit), the Remaining Group recorded turnover and net profits after taxation of approximately HK\$30.1 million and HK\$11.5 million for the year ended 31 December 2012 respectively (excluding the subsidy income). The total assets of the Remaining Group were approximately HK\$284.1 million as at 31 December 2012 which comprises mainly of plant and equipment, inventories and prepayments, deposits and other receivables.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in Hong Kong and is a wholly-owned subsidiary of Beijing Xiangeqing, which is a company listed on the Shenzhen Stock Exchange and is principally engaged in the catering service business comprising group meals, fast food, restaurants and food processing in the PRC. As mentioned in its 2013 interim report, Beijing Xiangeqing is exploring investment opportunities in the environmental related businesses in the PRC in addition to its catering service business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its beneficial owner(s) are Independent Third Parties.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in the environmental protection related businesses.

Since the Group's acquisition of the Disposal Group in September 2011, the Disposal Group recorded net loss after taxation of approximately HK\$2.1 million and HK\$11.4 million for the years ended 31 December 2011 and 2012 respectively. Having considered that (i) the Disposal Group has not generated profits to the Group since its acquisition by the Group; and (ii) the Consideration represents a premium of approximately 436.6% to the Group's total investment in the Disposal Group of approximately HK\$9.5 million since acquisition, the Directors are of the view that the Disposal provides an opportunity for the Group to generate gains from realizing its investment in the Disposal Group and to devote its resources to the operation of the business of the Remaining Group and to improve the working capital of the Group. Upon Completion, the Remaining Group will be principally engaged in the production and sale of straw fuel briquettes.

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

It is intended that the proceeds from the Disposal will be used for general working capital of the Remaining Group.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will cease to hold any equity interest in the Disposed Company. The Disposal Group will cease to be subsidiaries of the Company and the financial information of the Disposal Group will not be consolidated in the accounts of the Company upon Completion.

Subject to the confirmation of the auditors of the Company, it is estimated that the Group will realize a gain of approximately HK\$49.2 million from the Disposal, which is calculated based on the Consideration of approximately HK\$51 million after deducting the equity interests attributable to the unaudited consolidated net asset value of the Disposal Group of approximately HK\$1.8 million (which is calculated based on the unaudited net asset value of the Disposal Group of approximately HK\$5.0 million less minority interests of approximately HK\$3.2 million) as at 31 December 2012 and adding back the realisation of reserves upon the Disposal of approximately HK\$19,000. Shareholders should note that the actual amount of the gain of the Disposal to be recognised in the consolidated financial statements of the Company depends on the net asset value of the Disposal Group as at the Completion Date and therefore may be different from the amount mentioned above.

IMPLICATION UNDER THE GEM LISTING RULES

As the relevant percentage ratio(s) under Chapter 19 of the GEM Listing Rules exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and no Shareholder is required to abstain from voting if an extraordinary general meeting is convened to approve the Disposal.

The Company has obtained a written approval for the Disposal in accordance with Rule 19.44 of the GEM Listing Rules from Zhongyu Group which is beneficially interested in 239,556,536 Shares, representing approximately 55.5% of the issued share capital of the Company as at the date of this announcement. On the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting to approve the Disposal; and (ii) the Company has obtained a written approval for the Disposal from Zhongyu Group which holds approximately 55.5% in nominal value of the issued Shares giving the right to attend and vote at that general meeting to approve the Disposal, no extraordinary general meeting will be convened for the purpose of approving the Disposal as permitted under Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, further details of the Disposal is expected to be despatched to the Shareholders on or before 31 January 2014, as the Company will require more than 15 Business Days after publication of this announcement to prepare the relevant information to be included in the circular.

As Completion is subject to the fulfillment of a number of conditions precedent, the Disposal may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Beijing Xiangeqing”	北京湘鄂情集團股份有限公司 (Beijing Xiangeqing Group Co., Limited*), a company which is listed on the Shenzhen Stock Exchange in the PRC
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday, public holiday and any weekday on which a tropical cyclone warning signal no. 8 or higher is hoisted or a black rain storm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	Sunrise (China) Technology Group Limited, a company incorporated in the Cayman Islands whose shares are listed and traded on GEM
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of falling third Business Days after the fulfillment of the conditions set out in the Sale and Purchase Agreement (or such other date as may be agreed between the Company and the Purchaser)
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the aggregate consideration of HK\$50,980,962 for the Disposal
“Controlling shareholder”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Shares pursuant to the Sale and Purchase Agreement
“Disposal Group”	the Disposed Company and its subsidiaries
“Disposed Company”	Confident Echo Holdings Limited, a company incorporated in the BVI with limited liability
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Heilongjiang Shengyan”	黑龍江省盛炎新能源開發有限公司 (Heilongjiang Province Shengyan New Energy Development Limited*), a company incorporated in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent from the Company and its connected person(s)
“Long Stop Date”	31 January 2014, or such later date as the Company and the Purchaser may agree
“Mr. Shan”	Mr. Shan Xiaochang, the chairman, the chief executive officer and an executive director of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	HongKong Xiangeqing Food Investment Co., Limited, a company incorporated in Hong Kong with limited liability
“Remaining Group”	the Group other than the Disposal Group
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 23 December 2013 entered into between the Company and the Purchaser for the sale and purchase of the Sale Shares

“Sale Shares”	510 shares of US\$1.00 each in the issued share capital of the Disposed Company, representing 51% of the entire issued share capital of the Disposed Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongyu Group”	Zhongyu Group Holdings Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Mr. Shan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of USA
“%”	per cent.

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

Hong Kong, 23 December 2013

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at “www.sunrisechina-tech.com”.

* for identification purposes only