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無錫盛力達科技股份有限公司

Wuxi Sunlit Science and Technology Company Limited*

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 1289)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	Change
	RMB'000	*RMB'000*	
Revenue	**38,428**	42,128	**−8.8%**
Gross profit	**12,500**	14,620	**−14.5%**
Profit before income tax	**1,042**	6,936	**−85.0%**
Profit for the period	**1,151**	5,548	**−79.3%**
Profit for the period attributable to shareholders of the Company	**1,151**	5,548	**−79.3%**
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic and diluted	**0.01**	0.04	**−75.0%**

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of 無錫盛力達科技股份有限公司 (Wuxi Sunlit Science and Technology Company Limited*) (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2020	2019
	Note	**Unaudited**	Unaudited
Revenue	4	**38,428**	42,128
Cost of sales		**(25,928)**	(27,508)
Gross profit		**12,500**	14,620
Selling expenses		**(1,217)**	(2,356)
Administrative expenses		**(12,976)**	(13,100)
Net (allowance)/reversal of impairment losses of financial assets		**(2,275)**	2,653
Other income	6	**542**	618
Other gains — net	7	**2,550**	2,397
Operating (loss)/profit		**(876)**	4,832
Finance income	8	**1,918**	2,104
Profit before income tax		**1,042**	6,936
Income tax credit/(expense)	9	**109**	(1,388)
Profit for the period attributable to shareholders of the Company		**1,151**	5,548
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
—Basic and diluted	10	**0.01**	0.04

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Profit for the period	**1,151**	5,548
Other comprehensive income	**—**	—
Total comprehensive income for the period attributable to shareholders of the Company	**1,151**	5,548

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	**30 June 2020 Unaudited**	31 December 2019 Audited
ASSETS			
Non-current assets			
Right-of-use assets		**22,737**	23,044
Property, plant and equipment		**79,402**	97,838
Investment properties		**37,582**	22,148
Intangible assets		**66**	78
Trade and other receivables	11	**2,010**	1,993
Deferred income tax assets — net		**13,243**	12,977
		155,040	158,078
Current assets			
Inventories	12	**96,139**	88,511
Properties held for sale	13	**51,260**	57,254
Prepayments		**13,663**	2,428
Trade and other receivables	11	**136,086**	196,725
Financial assets at fair value through profit or loss		**35,926**	30,440
Restricted cash		**30,519**	24,290
Time deposits		**110,329**	125,407
Cash and cash equivalents		**82,825**	62,478
		556,747	587,533
Total assets		**711,787**	745,611
EQUITY			
Share capital		**128,000**	128,000
Share premium		**311,464**	311,464
Reserves		**66,838**	66,886
Retained earnings		**126,130**	124,931
Total equity		**632,432**	631,281
LIABILITIES			
Current liabilities			
Trade and other payables	14	**44,104**	72,573
Contract liabilities		**35,155**	41,757
Current income tax liabilities		**96**	—
		79,355	114,330
Non-current liabilities		**—**	—
Total liabilities		**79,355**	114,330
Total equity and liabilities		**711,787**	745,611

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION OF THE GROUP

Wuxi Sunlit Science and Technology Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in the manufacturing and sale of a range of equipment for manufacturing steel wire production lines.

The Company was incorporated in the People's Republic of China (the "**PRC**") as a limited liability company on 21 March 2006. The Company was converted into a joint stock company with limited liabilities under relevant PRC laws and regulations on 24 July 2012. The address of the Company's registered office is No.1 East Yanxin Road, Huishan Economic Development Zone, Wuxi, Jiangsu Province, the PRC.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 November 2014.

The outbreak of the 2019 Novel Coronavirus ("**COVID-19**") had brought unprecedented challenges and added uncertainties to the economy, COVID-19 may affect the financial performance and position of the industry of automobile including the associated manufacturers. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and had considered its impact on the financial position and operating results of the Group.

This interim condensed consolidated financial information is presented in Renminbi thousands (RMB'000), unless otherwise stated.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

(a) New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards are mandatory for the Group's financial year beginning 1 January 2020.

Standards/Interpretations	Subject of standards/amendments
HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	COVID-19-related Rent Concessions

The adoption of the new standards and amendments does not have significant impact on the condensed consolidated interim financial information.

(b) New standards and amendments and interpretation to standards that have been issued but are not effective

The following new standards and amendments and interpretation to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

Standards/Interpretations	Subject of standards/amendments	Effective for annual years beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021 (likely to be extended to 1 January 2022)
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKAS 16 (Amendments)	Property, plant and Equipment: Proceeds Before Intended Use	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of the above new standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Group, no significant impact on the Group's operating results or financial position when they become effective.

(c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

4 REVENUE

The chief operating decision-maker ("**CODM**") has been identified as the board of directors of the Company. The CODM regards the Group's business as a single operating segment and reviews the financial statements accordingly.

The Group is principally engaged in the manufacturing and sale of a range of equipment for manufacturing steel wire products. Revenues from sale of goods for the six months ended 30 June 2020 and 2019 are as follows:

	Six months ended 30 June	
	2020	2019
Production lines		
— Brass electroplating wire production lines	**18,412**	28,638
Other production lines	**—**	385
Standalone machines	**10,283**	4,926
Other mould repairing equipment, components parts and accessories	**6,271**	6,709
Rental income	**1,988**	1,470
Agent business income	**1,474**	—
	38,428	42,128

The Group mainly operates its business within mainland China. For the six months ended 30 June 2020 and 2019, the geographical information on the total revenue is as follows:

	Six months ended 30 June	
	2020	2019
Revenue		
— Mainland China	**34,749**	37,368
— Others	**3,679**	4,760
	38,428	42,128

The Group's revenues were derived from the following external customers that individually contributed more than 10% of the Group's revenues in the six months ended either 30 June 2020 or 30 June 2019:

	Six months ended 30 June	
	2020	2019
Company A	**18,845**	29,450
Company B	**10,438**	N/A[1]

[1] The corresponding revenue did not contribute 10% or more of the Group's total revenue.

5 DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2020	2019
Depreciation and amortisation	**7,576**	9,231

6 OTHER INCOME

	Six months ended 30 June	
	2020	2019
Government subsidies *(note (a))*	**313**	36
Value-added tax ("**VAT**") refunds *(note (b))*	**229**	582
	542	618

Notes:

(a) Government subsidies mainly represented subsidies for the Group's technical research projects and for corporate development.

(b) According to the relevant tax regulations, the sale of self-developed software products of a wholly-owned subsidiary, Wuxi Haisheng Software Technology Co., Ltd. ("**Haisheng Software**"), was entitled to VAT refunds until March 2022.

7 OTHER GAINS — NET

	Six months ended 30 June	
	2020	2019
Foreign exchange gains	**1,418**	282
Gains on disposal of financial assets at fair value through profit or loss	**590**	1,601
Unrealised fair value gains on financial assets at fair value through profit or loss	**486**	516
Losses on disposal of property, plant and equipment, net	**—**	(2)
Others	**56**	—
	2,550	2,397

8 FINANCE INCOME

	Six months ended 30 June	
	2020	2019
Finance income:		
— Bank interest income	**1,869**	2,104
— Amortisation of unearned financial income	**49**	—
Finance income	**1,918**	2,104

9 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020	2019
Current income tax — PRC corporate income tax	**157**	236
Deferred income tax	**(266)**	1,152
Income tax (credit)/expense	**(109)**	1,388

Except for the PRC corporate income tax ("**CIT**"), the Group is not subject to income tax of other jurisdictions.

CIT is provided on the assessable income of entities within the Group established in the PRC.

Pursuant to the PRC Corporate Income Tax Law (the "**New CIT Law**"), the Company's applicable CIT rate is 25%. Under the relevant regulations of the New CIT Law, the Company was qualified as High/New Tech Enterprise and applied a reduced CIT rate of 15% for the six months ended 30 June 2020 (six months ended 30 June 2019: 15%). Haisheng Software and Yixing branch of the company met the conditions for Small and Micro Enterprise, the taxable profit less than 1 million applied a reduced CIT rate of 5%, the taxable profit between 1 million and 3 million applied a reduced CIT rate of 10% for the six months ended 30 June 2020 and for the six months ended 30 June 2019.

The other subsidiary of the company applied a CIT rate of 25% for the six month ended 30 June 2020 and for the six months ended 30 June 2019.

10 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
Profit for the period attributable to shareholders of the Company *(RMB'000)*	**1,151**	5,548
Weighted average number of ordinary shares in issue *(thousand)*	**128,000**	128,000
Basic and diluted earnings per share *(RMB/share)*	**0.01**	0.04

As the Company did not have any dilutive potential ordinary shares outstanding as at 30 June 2020 and 30 June 2019, diluted earnings per share is equal to basic earnings per share.

11 TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
Trade receivables		
Accounts receivable — third parties *(note (a))*	**150,942**	137,814
Less: allowance for impairment of accounts receivable	**(52,557)**	(50,054)
Accounts receivable — net	**98,385**	87,760
Commercial acceptance notes *(note (b))*	**2,717**	58,485
Less: allowance for impairment of commercial notes	**(45)**	(384)
Trade receivables — net	**101,057**	145,861
Other receivables		
Other receivables — third parties	**20,941**	31,038
Less: unearned financial income	**(459)**	(476)
Less: allowance for impairment of other receivables	**(584)**	(473)
Other receivables — net	**19,898**	30,089
Interest receivable	**2,087**	1,862
Bank acceptance notes *(note (b))*	**15,054**	20,906
	138,096	198,718
Non-current portion	**2,010**	1,993
Current portion	**136,086**	196,725
	138,096	198,718

Notes:

(a) For sale of production lines, standalone machines and equipments, apart from a portion of the contract sum retained by customers to cover the Group's product quality warranty, the Group does not grant credit terms to customers in the sales contract. Included in accounts receivables as at 30 June 2020 are such retained sums of approximately RMB43,503,000 (31 December 2019: RMB44,219,000) representing 30.0% (31 December 2019: 32.1%) of accounts receivables. These are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the equipment).

For sale of components parts and accessories, the Group grants 30 to 120 days credit terms to certain customers.

(b) Notes receivable of the Group include bank acceptance notes and commercial acceptance notes, and are usually settled within six months or one year from the date of issue.

Aging analysis based on recognition date of the gross accounts receivables at the respective balance sheet dates are as follows:

	30 June 2020	31 December 2019
Within 1 year	**68,811**	53,717
1–2 years	**22,306**	28,735
2–3 years	**8,877**	4,895
Over 3 years	**50,948**	50,467
	150,942	137,814

Movements of allowance for impairment of accounts receivable, commercial acceptance notes and other receivables are as follows:

	Six months ended 30 June	
	2020	2019
Opening balance at 1 January	**50,911**	62,190
Additional allowance for impairment	**6,132**	5,476
Reversal of allowance for impairment	**(3,857)**	(8,129)
Closing balance at 30 June	**53,186**	59,537

12 INVENTORIES

	30 June 2020	31 December 2019
Raw materials	**17,477**	18,840
Work in progress	**49,048**	32,061
Finished goods	**29,614**	37,610
	96,139	88,511

13 PROPERTIES HELD FOR SALE

	30 June 2020	31 December 2019
Cost	**61,634**	68,724
Less: allowance for impairment	**(10,374)**	(11,470)
Net book amount	**51,260**	57,254

14 TRADE AND OTHER PAYABLES

	30 June 2020	31 December 2019
Notes payable *(note (a))*	**24,590**	41,285
Trade payables *(note (b))*	**12,647**	20,334
Quality warranty deposits from suppliers	**2,271**	2,373
Employee benefits payable	**1,292**	2,315
Other taxes payable	**693**	2,560
Provision for quality warranty expenses	**189**	197
Payables for property, plant and equipment	**126**	2
Others	**2,296**	3,507
	44,104	72,573

Notes:

(a) The notes payable are secured by pledge of cash deposits to banks.

(b) The aging analysis of the trade payables was as follows:

	30 June 2020	31 December 2019
Within 1 year	**12,550**	20,215
1–2 years	**—**	—
2–3 years	**—**	104
Over 3 years	**97**	15
	12,647	20,334

15 DIVIDENDS

During the six months ended 30 June 2020, the directors of the Group resolved not to declare dividends in respect of the year ended 31 December 2019 (six months ended 30 June 2019: RMB6,400,000).

The directors of the Group resolved not to declare any interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2020, the 2019 novel coronavirus pandemic (the "**COVID-19**") sweeping the globe has caused a severe blow to both the PRC domestic and world economies. The entire market has been deeply impacted by a number of setbacks such as the decrease in gross domestic product, consumption and investment growth as well as the fall in industrial enterprise to various extents. Gross domestic product (GDP) for the first half of the year was RMB45.66 trillion, representing a year-on-year negative growth of 1.6%. The global economy is facing a multitude of difficulties and uncertainties.

China's automobile market experienced a sharp decline in the first half of the year. According to the data from the China Association of Automobile Manufacturers ("**CAAM**"), the production, and sales of automobiles from January to June amounted to 10.112 million vehicles and 10.257 million vehicles respectively, diminished by 16.8% and 16.9% as compared with the corresponding period last year.

As a result of the COVID-19, the Group delayed the delivery and testing of equipment for its customers. The intensified market competition caused the selling prices of the Group's products to drop, and the shrinkage of the automobile market in the first half of the year disrupted the entire supply chain. The overall results of the Group for the six months ended 30 June 2020 (the "**Period**") declined compared to the corresponding period in 2019. As at 30 June 2020, the Group recorded a net profit of approximately RMB1.15 million.

Revenue

	For the six months ended 30 June					
	2020			2019		
	Unit(s) sold	***RMB'000***	***%***	*Unit(s) sold*	*RMB'000*	*%*
Brass electroplating wire production lines	**2**	**18,142**	**47.9**	3	28,638	68.0
Other production lines	**—**	**—**	**—**	1	385	0.9
Standalone machinery	**56**	**10,283**	**26.8**	39	4,926	11.7
Mould repairing equipment, component parts and accessories	**N/A**	**6,271**	**16.3**	N/A	6,709	15.9
Rental income	**N/A**	**1,988**	**5.2**	N/A	1,470	3.5
Agent business income	**N/A**	**1,474**	**3.8**	N/A	—	—
		38,428	**100**		42,128	100.0

Our revenue decreased by approximately RMB3.7 million, or approximately 8.8%, to approximately RMB38.4 million for the six months ended 30 June 2020 from approximately RMB42.1 million in the corresponding period of 2019.

The decrease in revenue is mainly due to a more intense competition in the downstream industry and drop in market demand for products of the Group, and the Group delayed the delivery and testing of equipment as a result of COVID-19.

Brass electroplating wire production lines. Revenue from the sale of brass electroplating wire production lines decreased by approximately 35.7% to approximately RMB18.4 million for the six months ended 30 June 2020 from approximately RMB28.6 million in the corresponding period of 2019. The decrease was mainly due to drop of the sales volume and the sale price.

Other production lines. No revenue from the sale of other production lines was generated for the six months ended 30 June 2020, it decreased RMB0.4 million compared to the revenue for the six months ended 30 June 2019.

Standalone machinery. Revenue from the sale of standalone machinery increased by approximately 108.7% to approximately RMB10.3 million for the six months ended 30 June 2020 from approximately RMB4.9 million in corresponding period of 2019. The increase was due to the raise in sales volume of standalone machinery. 56 sets of standalone machinery were accepted by our customers during the six months ended 30 June 2020, while 39 sets were accepted by the customers in the corresponding period of 2019.

Mould repairing equipment, component parts and accessories. Revenue from the sale of mould repairing equipment, component parts and accessories decreased by approximately 6.5% to approximately RMB6.3 million for the six months ended 30 June 2020 from approximately RMB6.7 million in the corresponding period of 2019. The decrease was primarily due to the decreased sales of other component parts and accessories to customers.

Rental income. Revenue from rental income was derived from its investment properties, which were rented to independent third parties during the six months ended 30 June 2020 and the corresponding period of 2019. As the more part of buildings was rented out in 2020, the rental income increased as comparing to that of the corresponding period in 2019.

Gross profit and gross profit margin

Gross profit decreased by approximately 14.5% to approximately RMB12.5 million for the six months ended 30 June 2020 from approximately RMB14.6 million in the corresponding period of 2019. The overall gross profit margin decreased to approximately 32.5% for the six months ended 30 June 2020 from approximately 34.7% in the corresponding period of 2019 due to the sale of two sets of brass electroplating wire production lines with lower gross profit margin during the six months ended 30 June 2020, as compared to that of corresponding period of 2019.

Other income

Other income mainly represented the VAT refunds and government subsidies received by the Group. Our other income decreased by approximately 12.3% to approximately RMB542,000 for the six months ended 30 June 2020 from approximately RMB618,000 in the corresponding period of 2019, primarily due to the impact of less VAT refunds received.

Selling expenses

Our selling expenses decreased by approximately 48.3% to approximately RMB1.2 million for the six months ended 30 June 2020 from approximately RMB2.4 million in the corresponding period of 2019, primarily due to the decrease in transportation expenses and employee benefit of sale.

Administrative expenses

Our administrative expenses decreased by approximately 0.9% from approximately RMB13.1 million for the six months ended 30 June 2019 to approximately RMB13.0 million for the six months ended 30 June 2020. This is primarily due to the decrease in allowance for impairment of properties held for sale.

Net (allowance)/reversal of impairment losses on financial assets

The Group recorded a net allowance of impairment losses on financial assets of approximately RMB2.3 million for the six months ended 30 June 2020, compared with the net reversal of impairment losses on financial assets of approximately RMB2.7 million in the corresponding period of 2019. The increase was mainly due to the delay in collection of impaired trade receivables.

Other gains — net

The Group recorded net other gains of approximately RMB2.6 million for the six months ended 30 June 2020, compared with the net other gains of approximately RMB2.4 million in the corresponding period of 2019. Other gains mainly included the gains on foreign exchange.

Finance income

The Group recorded finance income of approximately RMB1.9 million for the six months ended 30 June 2020, compared with the net finance income of approximately RMB2.1 million in the corresponding period of 2019. The decrease was primarily due to the decrease in bank interest income.

Income tax credit/(expense)

The Group recorded a credit to income tax expense of approximately RMB0.1 million for the six months ended 30 June 2020, compared with income tax expense of approximately RMB1.4 million in the corresponding period of 2019. The drop of income tax expense is caused by the decrease in profit.

ACCOUNTS RECEIVABLES

Our gross accounts receivables increased by approximately 9.5% from approximately RMB137.8 million at 31 December 2019 to approximately RMB150.9 million as at 30 June 2020. The increase was primarily due to the delay in collection of the receivables. The Group collected approximately RMB10.6 million impaired accounts receivables during the six months ended 30 June 2020. The allowance for accounts receivables increased from approximately RMB50.0 million at the end of 2019 to approximately RMB52.6 million as at 30 June 2020.

INVENTORIES

Our inventories increased by approximately 8.6% from approximately RMB88.5 million as at 31 December 2019 to approximately RMB96.1 million as at 30 June 2020 as a result of an increase in the balance of work in progress mainly due to the increase of unfinished sales contracts as at 30 June 2020 as compared with those as at 30 June 2019.

TRADE PAYABLES

Our trade payables decreased by approximately 37.8% from approximately RMB20.3 million as at 31 December 2019 to approximately RMB12.6 million as at 30 June 2020, primarily due to a decrease in our purchase of raw materials during the six months ended 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Cash position and fund available

During the six months ended 30 June 2020, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows.

As at 30 June 2020, the total cash and bank balances of the Group were approximately RMB223.7 million (31 December 2019: approximately RMB212.2 million), comprising cash and cash equivalents of approximately RMB82.8 million (31 December 2019: approximately RMB62.5 million), restricted cash of approximately RMB30.5 million (31 December 2019: approximately RMB24.3 million) and time deposits of approximately RMB110.3 million (31 December 2019: RMB125.4 million).

As at 30 June 2020, the current ratio of the Group was 7.0 (31 December 2019: 5.1). The increase was primarily due to the decrease in trade and other payables and contract liabilities.

As at 30 June 2020, as the Group had no borrowings, the gearing ratio of the Group (calculated as total borrowings divided by total equity) was zero (31 December 2019: zero).

SIGNIFICANT INVESTMENTS

Save and except for the wealth management products subscribed on 19 July 2019, the Group had no significant investments held during the six months ended 30 June 2020. For further details on the wealth management product, please refer to the announcement of the Company dated 19 July 2019. On 20 July 2020, the said wealth management products matured and the Company subscribed other wealth management products on 21 July 2020. For further details, please refer to the announcement of the Company date 21 July 2020 and the paragraph headed "Important events after Reporting Period" in this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2020, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

CHARGE ON GROUP ASSETS

As at 30 June 2020, the restricted cash deposits in the amount of approximately RMB30.5 million (31 December 2019: approximately RMB24.3 million) were pledged to banks as security for notes payable and letter of guarantee for domestic sale. Commercial acceptance notes in the amount of RMB10.0 million were pledged to banks as security for notes payable as at 31 December 2019. Save for that, the Group did not have any charges on its assets as at 30 June 2020 or 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

In the future, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities.

Save as disclosed in the Prospectus or in this announcement, the Group had no future plans for material investments and expected sources of funding as at 30 June 2020.

CAPITAL EXPENDITURES

During the six months ended 30 June 2020, the Group's capital expenditures amounted to approximately RMB1.5 million (six months ended 30 June 2019: approximately RMB0.6 million) which was mainly related to the purchase of machinery and equipment.

PROPERTIES HELD FOR SALE

In 2018, the Group purchased 166 residential units of Tong Xing Garden, No. 269 Guangxing Road, Kenli District, Dongying City, Shandong Province, the PRC (the "**Properties**"), which carry a total gross floor area of 18,920.9 square metres for the residential units and 3,331.2 square metres for the ancillary facilities. The Group has an intention to sell the Properties and, accordingly, such rights are recognised as properties held for sale upon the completion of the transfer of the title of the Properties from the vendor to the Company on 29 May 2018.

During the six months ended 30 June 2020, the Group sold 15 units of residential units at the total consideration of approximately RMB6.1 million, the fair value of the unsold units as at 30 June 2020 is approximately RMB51.3 million, representing 7.2% of the total assets of the Group.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group's capital expenditures contracted but not incurred amounted to approximately RMB696,000 (31 December 2019: approximately RMB575,000).

CAPITAL STRUCTURE

There was no change in the capital structure of the Group during the six months ended 30 June 2020. The capital of the Group only comprises ordinary shares.

FOREIGN CURRENCY RISK

Foreign exchange risk arises when business transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB, except that certain trade receivables, cash and cash equivalents and time deposits are denominated in US dollar ("**USD**") which are exposed to foreign currency translation risk.

If the USD had strengthened/weakened by 5% against the RMB while all other variables had been held constant, the Group's net result for the six months ended 30 June 2020 would have been approximately RMB4,295,000 better/worse (six months ended 30 June 2019: RMB3,931,000), for various financial assets denominated in USD.

During the six months ended 30 June 2020, the Group did not employ any financial instruments for hedging purposes. The management will continue to monitor foreign currency risk and adopt prudent measures as and when appropriate.

USE OF NET PROCEEDS FROM THE LISTING

The Company's H shares have been listed (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 November 2014 (the "**Listing Date**"). The net proceeds from the Listing after the deduction of underwriting commissions, fees and listing-related expenses amounted to approximately HK$209.5 million (equivalent to approximately RMB165.3 million).

With a view to improving efficiency in the use of the Company's temporary idle raised proceeds, on the condition that the construction of the committed projects and planned usage of the proceeds for such construction will not be affected, the Board proposed to utilise part of the temporary idle raised proceeds to purchase wealth management products in order to increase the capital revenue. The purpose is to improve the efficiency and effectiveness in the use of the Company's temporary idle raised proceeds, which in turn shall further enhance the overall revenue of the Company and to pursue better investment return for the Company and the shareholders as a whole. For more details regarding the change of use of net proceeds from the Listing, please refer to the announcement of the Company dated 29 March 2016 (the "**Announcement**").

At the annual general meeting of the Company held on 29 June 2020, the Board was authorised, within one year commencing from the approval, to exercise the decision-making power regarding purchase of wealth management products by utilising temporary idle proceeds for not more than RMB35 million in aggregate at any time. Since the authority granted to the Board to purchase wealth management products with the temporary idle proceeds will expire one year after such approval, a special resolution has been proposed and passed at the 2020 annual general meeting of the Company to renew such authority. For details of the relevant resolutions, please refer to the circular of the Company dated 29 April 2020. For further information in relation to the purchase of the wealth management products, please refer to the announcements of the Company dated 19 July 2019 and 21 July 2020.

Together with the income to be generated from the wealth management products, the Company will continue to apply the net proceeds from the Listing for the construction of the new manufacturing facility located in Wuxi, Jiangsu Province of the PRC (the "**New Wuxi Facility**") and the new research & development centre to be established in the New Wuxi Facility (the "**New Research & Development Centre**") and for other purposes in accordance with the prospectus of the Company dated 30 October 2014 (the "**Prospectus**") and in the Announcement.

The following table sets forth the status of use of proceeds from the Listing:

	Planned use of net proceeds from the Listing(Note 1) (HK$ million) (approximately)	Utilised up to 30 June 2020 (HK$ million) (approximately)	Utilised during the six months ended 30 June 2020 (HK$ million) (approximately)	Unutilised balance up to 30 June 2020(Note 2) (HK$ million) (approximately)	Expected timeline for unused net proceeds from the Listing
Funding the construction of the New Wuxi Facility and the New Research & Development Centre	163.0	104.0	3.98	67.0	by 2022
Developing certain targeted research and development projects	25.5	26.2(Note 3)	4.29	0.4	by 2022
General working capital and other general corporate purposes	21.0	21.0	0	—	—
Total:	209.50	151.20	8.27	67.40	

Notes:

(1) The net proceeds allocated have been adjusted and recalculated with reference to (i) the actual net proceeds from the Listing of approximately HK$209.5 million after the deduction of underwriting commissions, fees and listing-related expenses; and (ii) the percentage of use of proceeds allocated to each of the purposes as disclosed in the Prospectus.

(2) As at 30 June 2020, the unutilised proceeds amounted to approximately HK$67.40 million. Among the unutilised proceeds of approximately HK$67.40 million, the Group utilised part of the proceeds for purchasing wealth management products, which amounted to approximately HK$35 million as at 30 June 2020. The remaining unused proceeds, including the net proceeds of HK$23.97 million and interest of net proceeds of HK$8.43 million, were deposited in licensed banks in the PRC.

(3) As at 30 June 2020, the proceeds which have been utilised for developing certain targeted research and development projects included net interest of approximately HK$733,000.

PROSPECTS

In view of the COVID-19, the Chinese government timely adjusted expected goals and adopted exceptional measures for exceptional times. Since the second quarter, China's economy has shown signs of recovery as evidenced by improvements in major economic indicators. Under the overall economic situation, it is anticipated that the growth in production capacity of automobiles will be stable with moderate adjustments. Despite the temporary contraction of the automobile market for the time being, car ownership in China is still on the rise, which represents an enormous market for tire replacement. In general, domestic demand for tires will continue to climb steadily and this will create great potential for the tire industry.

The Group will devote extra efforts to preparing itself for the challenges ahead. We will closely monitor the situation and will maintain a broad vision. Strategic moves to be taken will include strengthening technological development, nurturing technological management and innovation talents, upgrading existing production lines, improving product quality and boosting competitiveness. We strive to maintain a stable market share and protect the interests of the Group's shareholders.

EMPLOYEE AND REMUNERATION INFORMATION

As at 30 June 2020, the Group employed a total of 146 full-time employees (31 December 2019: 146 full-time employees), including administrative, finance, internal audit, research and development, technical application, quality control, manufacturing, procurement, sales and marketing staff. For the six months ended 30 June 2020, the Group's total employee remuneration was approximately RMB7.6 million (six months ended 30 June 2019: approximately RMB9.2 million), representing approximately 19.7% of the Group's total revenue.

The Group places great emphasis on recruiting and training quality personnel by providing orientation programmes to the new employees and on-going internal training to the existing employees to enhance their industrial, technical and product knowledge, their work ethics, as well as their knowledge of industry quality standards and work safety standards. Furthermore, the Group encourages its employees to take advanced courses and obtain professional certifications.

The Group is confident that its employees will continue to provide a solid foundation for the success of the Group and will maintain a high standard of service to the customers.

The Group has not experienced any disruption of its normal business operations due to labour disputes or significant turnover of staff. The Directors consider that the Group has maintained a very good relationship with its staff.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

During the six months ended 30 June 2020, the Company has complied with all code provisions of the CG Code contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of our Company. Upon making specific enquiries of all of the Directors and supervisors by the Company, all the Directors and supervisors of the Company confirmed that each of them had fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

Any employee of the Company or director or employee of any subsidiary of the Company who, because of their office in the Company, are likely to be in possession of inside information in relation to the securities of the Company, have also been requested not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she were a Director.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

DIRECTORS' MATERIAL INTEREST IN CONTRACTS

Save as disclosed in the Prospectus or above, no Director had any material interests in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2020.

COMPETING BUSINESS

During the six months ended 30 June 2020, the Directors were not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

DIVIDENDS

The Board resolved not to declare a dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

AUDIT COMMITTEE

The audit committee of the Company has held meetings to discuss the risk management, internal control systems and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020. The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 in this announcement has not been audited or reviewed by the auditor of the Company but has been reviewed by the audit committee of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed minimum public float under the Listing Rules up to the date of this announcement.

IMPORTANT EVENTS AFTER REPORTING PERIOD

Discloseable Transaction Subscription of Wealth Management Product — Structured Deposit

On 21 July 2020, the Company subscribed for a wealth management product of structured deposit of China Merchants Bank Co., Ltd ("**China Merchants Bank**") with an aggregate amount of RMB24,000,000 (the "**Structured Deposit**") which was financed by the temporarily unused portion of the net proceeds raised from the Listing.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the subscription, on an aggregate basis, exceed 5% but are below 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempted from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

For details of the above transaction, please refer to the announcement of the Company dated 21 July 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.wxsunlit.com). The interim report for the six months ended 30 June 2020 containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites according to the Listing Rules.

By order of the Board
無錫盛力達科技股份有限公司
Wuxi Sunlit Science and Technology Company Limited*
Zhang Degang
Chairman

Hong Kong, 21 August 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Degang and Mr. Zhang Deqiang, the non-executive Directors are Ms. Zhang Jinghua and Mr. Gao Feng, and the independent non-executive Directors are Mr. Liu Chaojian, Mr. Ho Yuk Ming, Hugo and Mr. Gao Fuping.

* *For identification purpose only*