Sunlit

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 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	
Revenue	**42,128**	104,700	**−59.8%**
Gross profit	**14,620**	50,082	**−70.8%**
Profit before income tax	**6,936**	54,111	**−87.2%**
Profit for the period	**5,548**	45,714	**−87.9%**
Profit for the period attributable to shareholders of the Company	**5,548**	45,714	**−87.9%**
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic and diluted	**0.04**	0.36	**−88.9%**

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 2019, together with the comparative figures for the corresponding period in 2018.

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

		Six months ended 30 June	
		2019	2018
	Note	**Unaudited**	Unaudited
Revenue	4	**42,128**	104,700
Cost of sales		**(27,508)**	(54,618)
Gross profit		**14,620**	50,082
Selling expenses		**(2,356)**	(1,988)
Administrative expenses		**(13,100)**	(13,861)
Net reversal of impairment losses of financial assets		**2,653**	13,203
Other income	6	**618**	871
Other gains — net	7	**2,397**	3,782
Operating profit		**4,832**	52,089
Finance income — net	8	**2,104**	2,022
Profit before income tax		**6,936**	54,111
Income tax expense	9	**(1,388)**	(8,397)
Profit for the period attributable to shareholders of the Company		**5,548**	45,714
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
—Basic and diluted	10	**0.04**	0.36

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Profit for the period	**5,548**	45,714
Other comprehensive income	**—**	—
Total comprehensive income for the period attributable to shareholders of the Company	**5,548**	45,714

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	**30 June 2019 Unaudited**	31 December 2018 Audited
ASSETS			
Non-current assets			
Land use rights		**23,352**	23,659
Property, plant and equipment		**94,301**	97,206
Investment properties		**19,568**	20,287
Intangible assets		**89**	101
Trade and other receivables	11	**1,965**	1,365
Deferred income tax assets — net		**13,992**	15,144
		153,267	157,762
Current assets			
Inventories	12	**96,363**	65,518
Properties held for sale	13	**72,877**	69,671
Prepayments		**7,674**	1,740
Trade and other receivables	11	**162,156**	113,287
Financial assets at fair value through profit or loss		**30,992**	30,476
Restricted cash		**16,349**	10,925
Time deposits		**134,471**	132,364
Cash and cash equivalents		**93,036**	134,821
		613,918	558,802
Total assets		**767,185**	716,564
EQUITY			
Share capital		**128,000**	128,000
Share premium		**311,464**	311,464
Reserves		**66,307**	65,707
Retained earnings		**122,979**	124,431
Total equity		**628,750**	629,602
LIABILITIES			
Current liabilities			
Trade and other payables	14	**61,333**	47,336
Contract liabilities		**70,693**	37,926
Dividend payables		**6,400**	—
Current income tax liabilities		**9**	1,700
		138,435	86,962
Non-current liabilities		**—**	—
Total liabilities		**138,435**	86,962
Total equity and liabilities		**767,185**	716,564

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.

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 2019 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 2018, 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 2018, as described in those annual financial statements.

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

The following new standards and amendments and interpretation to standards are mandatory for the Group's financial year beginning 1 January 2019.

Standards/Interpretations	**Subject of standards/amendments**
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture
HK (IFRIC) 23	Uncertainty over Income Tax Treatment
Annual Improvements to 2015–2017 Cycle	Improvements to HKFRS

The adoption of the new standards, amendments and interpretations 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 2019 and have not been early adopted by the Group:

Standards/Interpretations	Subject of standards/amendments	Effective for annual years beginning on or after
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
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, amendments and interpretations, 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 2019 and 2018 are as follows:

	Six months ended 30 June	
	2019	2018
Production lines		
— Brass electroplating wire production lines	**28,638**	49,897
— Other production lines	**385**	15,376
Standalone machines	**4,926**	23,725
Other mould repairing equipment, components parts and accessories	**6,709**	14,315
Rental income	**1,470**	1,387
	42,128	104,700

The Group mainly operates its business within mainland China. For the six months ended 30 June 2019 and 2018, the geographical information on the total revenue is as follows:

	Six months ended 30 June	
	2019	2018
Revenue		
— Mainland China	**37,368**	101,418
— Others	**4,760**	3,282
	42,128	104,700

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 2019 or 30 June 2018:

	Six months ended 30 June	
	2019	2018
Company A	**29,450**	22,905
Company B	**N/A**[1]	57,159

[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	
	2019	2018
Depreciation and amortisation	**4,512**	4,744

6 OTHER INCOME

	Six months ended 30 June	
	2019	2018
Value-added tax ("**VAT**") refunds *(note (a))*	**582**	646
Government subsidies *(note (b))*	**36**	225
	618	871

Notes:

(a) According to the relevant tax regulations, the sale of self-developed software products of a wholly-owned subsidiary of the Company, Wuxi Haisheng Software Technology Co., Ltd. ("**Haisheng Software**"), was entitled to VAT refunds from December 2011 to October 2016. In March 2017, Haisheng Software was approved to be entitled to VAT refunds for the sale of self-developed software products from March 2017 to March 2022.

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

7 OTHER GAINS — NET

	Six months ended 30 June	
	2019	2018
Gains on disposal of financial assets at fair value through profit or loss	**1,601**	2,268
Foreign exchange gains	**282**	1,029
Unrealised fair value gains on financial assets at fair value through profit or loss	**516**	505
Losses on disposal of property, plant and equipment, net	**(2)**	(20)
	2,397	3,782

8 FINANCE INCOME — NET

	Six months ended 30 June	
	2019	2018
Finance expense	**—**	—
Finance income:		
— Bank interest income	**2,104**	1,628
— Amortisation of unearned financial income	**—**	394
	2,104	2,022
Finance income — net	**2,104**	2,022

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
Current income tax — PRC corporate income tax	**236**	5,505
Deferred income tax	**1,152**	2,892
Income tax expense	**1,388**	8,397

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 for three years from November 2016 to November 2019. Therefore, the Company applied a reduced CIT rate of 15% for the six months ended 30 June 2019 (six months ended 30 June 2018: 15%). Except for the Company, all the subsidiaries of the Company applied a CIT rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).

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	
	2019	2018
Profit for the period attributable to shareholders of the Company *(RMB'000)*	**5,548**	45,714
Weighted average number of ordinary shares in issue *(thousand)*	**128,000**	128,000
Basic and diluted earnings per share *(RMB/share)*	**0.04**	0.36

As the Company did not have any dilutive potential ordinary shares outstanding as at 30 June 2019 and 30 June 2018, diluted earnings per share is equal to basic earnings per share.

11 TRADE AND OTHER RECEIVABLES

	30 June 2019	31 December 2018
Trade receivables		
Accounts receivable — third parties *(note (a))*	**126,268**	140,275
Less: allowance for impairment of accounts receivable	**(55,392)**	(61,259)
Accounts receivable — net	**70,876**	79,016
Commercial acceptance notes *(note (b))*	**73,389**	9,735
Less: allowance for impairment of commercial notes	**(3,669)**	(487)
Trade receivables — net	**140,596**	88,264
Other receivables		
Other receivables — third parties	**4,034**	3,151
Less: unearned financial income	**(488)**	(368)
Less: allowance for impairment of other receivables	**(476)**	(444)
Other receivables — net	**3,070**	2,339
Interest receivable	**2,450**	1,892
Bank acceptance notes *(note (b))*	**18,005**	22,157
	164,121	114,652
Non-current portion	**1,965**	1,365
Current portion	**162,156**	113,287
	164,121	114,652

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 2019 are such retained sums of approximately RMB47,950,000 (31 December 2018: RMB50,453,000) representing 38.0% (31 December 2018: 36.0%) 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 2019	31 December 2018
Within 1 year	**43,958**	50,822
1–2 years	**19,658**	17,001
2–3 years	**18,148**	22,903
Over 3 years	**44,504**	49,549
	126,268	140,275

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

	Six months ended 30 June	
	2019	2018
Opening balance at 1 January	**62,190**	75,447
Additional allowance for impairment	**5,476**	384
Reversal of allowance for impairment	**(8,129)**	(13,587)
Closing balance at 31 December	**59,537**	62,244

12 INVENTORIES

	30 June 2019	31 December 2018
Raw materials	**16,802**	17,378
Work in progress	**40,106**	38,565
Finished goods	**39,455**	9,575
	96,363	65,518

13 PROPERTIES HELD FOR SALE

	Six months ended 30 June	
	2019	2018
Opening balance at 1 January	**69,671**	—
Addition *(Note (a))*	**3,972**	72,969
Allowance for impairment	**(766)**	—
Closing balance at 30 June	**72,877**	72,969
At 30 June		
Cost	**76,941**	72,969
Less: allowance for impairment	**(4,064)**	—
	72,877	72,969

(a) In February 2019, the Company purchased one property located in Dongying City, Shandong Province, the PRC at an consideration of RMB4,155,600, the consideration for the property shall be paid by way of setting off the same outstanding amount owed to the Company by Sunnywell (China) New Material Technology Co., Ltd., which is a customer of the Company. The Group's intention is to sell this property and, accordingly, such rights are recognised as properties held for sale. The cost of properties held for sale was approximately RMB3,972,000.

In April 2018, the Company and an independent third party Shandong Snton Real Estate Development Co., Ltd. (the "**Vendor**") entered into sale and purchase agreements, pursuant to which the Company agreed to purchase and the Vendor agreed to sell 166 residential units of Tong Xing Garden, No. 269 Guanxing Road, Kenli District, Dongying City, Shandong Province, the PRC (the "**Properties**") at an aggregate consideration of RMB74,347,796. The Vendor and the Company have mutually agreed that the consideration for the Properties shall be paid by way of setting off the same outstanding amount owed to the Company by Shandong Snton Steelcord Co., Ltd., which is a customer of the Company and a related company of the Vendor. The Group's intention is to sell these 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. The cost of the Properties was approximately RMB72,969,000, comprising the consideration exclusive of value-added tax amounting to approximately RMB70,807,000 and other related costs of approximately RMB2,162,000 in connection with this acquisition.

14 TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
Trade payables *(note (a))*	**28,056**	21,162
Notes payable *(note (b))*	**26,231**	18,209
Quality warranty deposits from suppliers	**2,195**	2,254
Employee benefits payable	**1,626**	1,954
Other taxes payable	**1,481**	1,570
Provision for quality warranty expenses	**167**	261
Payables for property, plant and equipment	**71**	87
Others	**1,506**	1,839
	61,333	47,336

Notes:

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

	30 June 2019	31 December 2018
Within 1 year	**27,621**	20,669
1–2 years	**134**	162
2–3 years	**44**	74
Over 3 years	**257**	257
	28,056	21,162

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

15 DIVIDENDS

A dividend in respect of the year ended 31 December 2018 of RMB0.05 per share, amounted to a total of RMB6,400,000, has been declared during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB6,400,000).

The directors of the Group do not recommend the declaration of a dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2019, China's economy remained generally stable in the complicated economic situation at home and abroad. In the first half of the year, gross domestic product (GDP) of China reached RMB45,093.3 billion, representing a year-on-year increase of 6.3%. China's economy continued to pursue supply-side reform as its main task and its economic structure was further improved.

Affected by the global economy, Sino-US trade frictions, and National VI Standards (National VI Air Pollutant Emission Standards for Motor Vehicles), China's automobile market experienced a sharp decline in the first half of the year. According to the data from China Association of Automobile Manufacturers ("**CAAM**"), from January to June, the production and sales of automobiles amounted to 12.132 million vehicles and 12.323 million vehicles respectively, representing a decrease of 13.7% and 12.4% over the same period last year. However, the production and sales of new energy vehicles have increased. From January to June, the production and sales of new energy vehicles amounted to 614,000 vehicles and 617,000 vehicles respectively, representing an increase of 48.5% and 49.6% over the same period last year. The decline in automobile sales has affected the sales of tire accessories. In addition, due to the factors such as China's tightened environmental supervision, the tire market faced relatively large pressures and challenges, industry competition intensified, and the production and sales of tires were unsatisfactory in the first half of the year.

The market environment and industry factors have affected the performance of the Group during the period to a certain extent. The overall results of the Group during the period decreased compared to the same period in 2018. For the six months ended 30 June 2019, the Group recorded a net profit of RMB5.548 million.

Revenue

	For the six months ended 30 June					
	2019			2018		
	Unit(s) sold	***RMB'000***	***%***	*Unit(s) sold*	*RMB'000*	*%*
Brass electroplating wire production lines	**3**	**28,638**	**68.0**	3	49,897	47.7
Other production lines	**1**	**385**	**0.9**	4	15,376	14.7
Standalone machinery	**39**	**4,926**	**11.7**	187	23,725	22.7
Mould repairing equipment, component parts and accessories	**N/A**	**6,709**	**15.9**	N/A	14,315	13.7
Rental income	**N/A**	**1,470**	**3.5**	N/A	1,387	1.3
		42,128	**100.0**		104,700	100.0

Our revenue decreased by approximately RMB62.6 million, or approximately 59.8%, to approximately RMB42.1 million for the six months ended 30 June 2019 from approximately RMB104.7 million in the corresponding period of 2018.

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.

Brass electroplating wire production lines. Revenue from the sale of brass electroplating wire production lines decreased by approximately 42.6% to approximately RMB28.6 million for the six months ended 30 June 2019 from approximately RMB49.9 million in the corresponding period of 2018. The decrease was mainly due to drop of the sale price.

Other production lines. Revenue from the sale of other production lines decreased by approximately 97.5% to approximately RMB0.4 million for the six months ended 30 June 2019 from approximately RMB15.4 million in the corresponding period of 2018. During the six months ended 30 June 2019, our customers accepted one set of other production line with a relatively lower price due to different model with different complicated structure, while four sets were accepted by the customers in the corresponding period of 2018.

Standalone machinery. Revenue from the sale of standalone machinery decreased by approximately 79.2% to approximately RMB4.9 million for the six months ended 30 June 2019 from approximately RMB23.7 million in corresponding period of 2018. The decrease was due to the drop in sales volume of standalone machinery. 39 sets of standalone machinery were accepted by our customers during the six months ended 30 June 2019, while 187 sets were accepted by the customers in the corresponding period of 2018.

Mould repairing equipment, component parts and accessories. Revenue from the sale of mould repairing equipment, component parts and accessories decreased by approximately 53.1% to approximately RMB6.7 million for the six months ended 30 June 2019 from approximately RMB14.3 million in the corresponding period of 2018. The decrease was primarily due to the decreased equipment modification services provided to customers and 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 2019 and the corresponding period of 2018. As some of the rental prices had increased during the six months ended 30 June 2019, the rental income increased.

Gross profit and gross profit margin

Gross profit decreased by approximately 70.8% to approximately RMB14.6 million for the six months ended 30 June 2019 from approximately RMB50.1 million in the corresponding period of 2018. The overall gross profit margin decreased to approximately 34.7% for the six months ended 30 June 2019 from approximately 47.8%

in the corresponding period of 2018 due to the sale of three sets of brass electroplating wire production lines and one set of other production lines with lower gross profit margin during the six months ended 30 June 2019, as compared to that of corresponding period of 2018.

Other income

Other income mainly represented the VAT refunds and government subsidies received by the Group. Our other income decreased by approximately 29.0% to approximately RMB618,000 for the six months ended 30 June 2019 from approximately RMB871,000 in the corresponding period of 2018, primarily due to the net impact of less VAT refunds received and less governments subsidies refunds received.

Selling expenses

Our selling expenses increased by approximately 18.5% to approximately RMB2.4 million for the six months ended 30 June 2019 from approximately RMB2.0 million in the corresponding period of 2018, primarily due to the increase in transportation expenses.

Administrative expenses

Our administrative expenses decreased by approximately 5.5% from approximately RMB13.9 million for the six months ended 30 June 2018 to approximately RMB13.1 million for the six months ended 30 June 2019. This is primarily due to the decrease in professional fees.

Net reversal of impairment losses on financial assets

Our net reversal of impairment losses on financial assets decreased from approximately RMB13.2 million for the six months ended 30 June 2018 to approximately RMB2.7 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in collection of impaired trade receivables.

Other gains — net

The Group recorded net other gains of approximately RMB2.4 million for the six months ended 30 June 2019, compared with the net other gains of approximately RMB3.8 million in the corresponding period of 2018. Other gains mainly included the gains on disposal of financial assets at fair value through profit or loss.

Finance income — net

The Group recorded net finance income of approximately RMB2.1 million for the six months ended 30 June 2019, compared with the net finance income of approximately RMB2.0 million in the corresponding period of 2018. The increase was primarily due to the increase in bank interest income.

Income tax expense

The Group recorded an income tax expense of approximately RMB1.4 million for the six months ended 30 June 2019, compared with income tax expense of approximately RMB8.4 million in the corresponding period of 2018. The effective tax rate was 20.0% for the six months ended 30 June 2019, compared with the effective tax rate of 15.5% in the corresponding period of 2018.

ACCOUNTS RECEIVABLES

Our gross accounts receivables decreased by approximately 10.0% from approximately RMB140.3 million at 31 December 2018 to approximately RMB126.3 million as at 30 June 2019. The decrease was primarily due to the reduction of revenue. The Group collected approximately RMB8.1 million impaired accounts receivables during the six months ended 30 June 2019. The allowance for accounts receivables decreased from approximately RMB61.3 million at the end of 2018 to approximately RMB55.4 million as at 30 June 2019.

INVENTORIES

Our inventories increased by approximately 47.1% from approximately RMB65.5 million as at 31 December 2018 to approximately RMB96.4 million as at 30 June 2019 as a result of an increase in the balance of finished goods mainly due to the increase of unfinished sales contracts as at 30 June 2019 as compared with those as at 30 June 2018.

TRADE PAYABLES

Our trade payables increased by approximately 32.6% from approximately RMB21.2 million as at 31 December 2018 to approximately RMB28.1 million as at 30 June 2019, primarily due to an increase in our purchase of raw materials during the six months ended 30 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Cash position and fund available

During the six months ended 30 June 2019, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows.

As at 30 June 2019, the total cash and bank balances of the Group were approximately RMB243.9 million (31 December 2018: approximately RMB278.1 million), comprising cash and cash equivalents of approximately RMB93.0 million (31 December 2018: approximately RMB134.8 million), restricted cash of approximately RMB16.3 million (31 December 2018: approximately RMB10.9 million) and time deposits of approximately RMB134.5 million (31 December 2018: RMB132.4 million).

As at 30 June 2019, the current ratio of the Group was 4.4 (31 December 2018: 6.4). The decrease was primarily due to the increase in trade and other payables and contract liabilities.

As at 30 June 2019, as the Group had no borrowings, the gearing ratio of the Group (calculated as total borrowings divided by total equity) was zero (31 December 2018: Zero).

SIGNIFICANT INVESTMENTS

Save and except for the wealth management products subscribed on 19 July 2018, the Group had no significant investments held during the six months ended 30 June 2019. For further details on the wealth management product, please refer to the announcement of the Company dated 19 July 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2019, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

CHARGE ON GROUP ASSETS

As at 30 June 2019, the restricted cash deposits in the amount of approximately RMB16.3 million (31 December 2018: approximately RMB10.9 million) were pledged to banks as security for notes payable and letter of guarantee for export sale. Save for that, the Group did not have any charges on its assets as at 30 June 2019 or 31 December 2018.

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 2019.

CAPITAL EXPENDITURES

During the six months ended 30 June 2019, the Group's capital expenditures amounted to approximately RMB0.6 million (six months ended 30 June 2018: RMB0.5 million) which was mainly related to the purchase of machinery and equipment.

CAPITAL COMMITMENTS

As at 30 June 2019, the Group's capital expenditures contracted but not incurred amounted to approximately RMB216,000 (31 December 2018: approximately RMB237,000).

CAPITAL STRUCTURE

There was no change in the capital structure of the Group during the six months ended 30 June 2019. 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 2019 would have been approximately RMB3,931,000 better/worse (six months ended 30 June 2018: RMB3,261,000), for various financial assets denominated in USD.

During the six months ended 30 June 2019, 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 IPO

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 has proposed to utilise part of the temporary idle raised proceeds to purchase wealth management products in order to increase the capital revenue, 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 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 12 June 2019, 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 2019 annual general meeting of the Company to renew such authority. For details of the grant of such authorities, please refer to the circular of the Company dated 23 April 2019.

Together with the income to be generated from the wealth management products, the Company will continue 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)* (approximately)	Utilised up to 30 June 2019 (approximately)	Unutilised balance up to 30 June 2019 *(Note 2)* (approximately)	Expected timeline for unused net proceeds from the Listing
Funding the construction of the New Wuxi Facility and the New Research & Development Centre	HK$163.00 million	HK$95.50 million	HK$73.40 million	by 2022
Developing certain targeted research and development projects	HK$25.50 million	HK$21.70 million	HK$4.86 million	by 2022
General working capital and other general corporate purposes	HK$21.00 million	HK$21.00 million	—	—
Total:	HK$209.50 million	HK$138.20 million	HK$78.26 million	

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 2019, the unutilised proceeds amounted to approximately HK$78.26 million. Among the unutilised proceeds of approximately HK$78.26 million, the Group utilised part of the proceeds for purchasing wealth management products, which amounted to approximately HK$34.00 million as at 30 June 2019. The remaining unused proceeds, including the net proceeds of HK$37.30 million and interest of net proceeds of HK$6.96 million, were deposited in licensed banks in the PRC.

PROSPECTS

It is expected that in the second half of 2019, with the official implementation of China's new policy on purchase tax and the official implementation to National VI Standards in some regions on 1 July 2019, the growth drivers for consumption may improve, which will become positive factors for the improvement of the market demand for automobiles in the second half of the year. In the second half of 2019, it is expected that the automobile market will pick up and the difficult situation in the tire market is expected to be eased. Moreover, in the medium and long term, China's national strategy of supporting the development of new energy vehicles will not change. Compared with ordinary tires, tires for new energy vehicles usually have higher requirements for light weight and low rolling resistance to enhance the mileage and performance of vehicles. As a result, tire manufacturers have begun to develop new product lines to produce tires for new energy vehicles. China's tire production in quantity has ranked first in the world for ten consecutive years. It has formed a tire industry system which is complete in specifications and series, and its global influence has improved significantly. It is expected that the rapid development trend of China's tire market will continue in the future. From the perspective of the replacement market, 81% of global demand for tires comes from the replacement market. Currently, the global demand for replacement market is stable, and China's replacement market still has high growth potential. In addition, the rate of vehicle ownership per 1,000 people in China has not yet reached the global average, and vehicle ownership rate is increasing year by year. Overall, domestic tire demand will still increase steadily, and the tire industry has great potential.

In the face of Sino-US trade frictions and market volatility, the Group has always taken strategic steps, such as strengthening technology development, cultivating technical and management talents and technological innovation talents, and upgrading existing production lines, to improve the quality and competitiveness of its products. The Group will strive to maintain a stable market share and safeguard the interests of the Group's shareholders.

EMPLOYEE AND REMUNERATION INFORMATION

As at 30 June 2019, the Group employed a total of 146 full-time employees (31 December 2018: 138 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 2019, the Group's total employee remuneration was approximately RMB9.2 million (six months ended 30 June 2018: approximately RMB8.4 million), representing approximately 21.9% 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 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

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

During the six months ended 30 June 2019, 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 2019.

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 2019.

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 2019.

COMPETING BUSINESS

During the six months ended 30 June 2019, the Directors are 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 declare a dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2019. The interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 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 in relation to subscription of wealth management product — structured deposit

On 19 July 2019, 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 RMB30,000,000 (the "**Structured Deposit**"). Out of the total RMB30,000,000 Structured Deposit, RMB28,000,000 was financed by the temporarily unused portion of the net proceeds raised from the Listing and the remaining balance of RMB2,000,000 was financed by the temporary idle internal funds of the Company.

The subscription amounts are aggregated in accordance with Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the subscription 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 exempt 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 19 July 2019.

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 2019 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, 23 August 2019

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*