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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 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	RMB'000	*RMB'000*	
Revenue	**104,700**	45,112	132.1%
Gross profit	**50,082**	17,932	179.3%
Profit before income tax	**54,111**	15,277	254.2%
Profit for the period	**45,714**	12,000	281.0%
Profit for the period attributable to shareholders of the Company	**45,714**	12,000	281.0%
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share) — Basic and diluted	**0.36**	0.09	300.0%

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 2018, together with the comparative figures for the corresponding period in 2017.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

*(All amounts in Renminbi ("**RMB**") thousands unless otherwise stated)*

		Six months ended 30 June	
		2018	2017
	Note	**Unaudited**	Unaudited
Revenue	5	**104,700**	45,112
Cost of sales		**(54,618)**	(27,180)
Gross profit		**50,082**	17,932
Selling expenses		**(1,988)**	(2,175)
Administrative expenses		**(658)**	(4,795)
Other income	7	**871**	310
Other gains — net	8	**3,782**	2,504
Operating profit		**52,089**	13,776
Finance income — net	9	**2,022**	1,501
Profit before income tax		**54,111**	15,277
Income tax expense	10	**(8,397)**	(3,277)
Profit for the period attributable to shareholders of the Company		**45,714**	12,000
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
—Basic and diluted	11	**0.36**	0.09

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Profit for the period	**45,714**	12,000
Other comprehensive income	**—**	—
Total comprehensive income for the period attributable to shareholders of the Company	**45,714**	12,000

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
(All amounts in RMB thousands unless otherwise stated)

	Note	**30 June 2018 Unaudited**	31 December 2017 Audited
ASSETS			
Non-current assets			
Land use rights		**23,967**	24,274
Property, plant and equipment		**98,743**	101,993
Investment properties		**21,006**	21,725
Intangible assets		**10**	19
Deferred tax assets		**14,829**	17,323
		158,555	165,334
Current assets			
Inventories	12	**81,081**	92,608
Properties held for sale	13	**72,969**	—
Prepayments		**4,328**	775
Trade and other receivables	14	**118,468**	176,718
Financial assets at fair value through profit or loss		**26,962**	77,450
Restricted cash		**33,285**	49,787
Time deposits		**111,656**	105,763
Cash and cash equivalents		**133,110**	71,912
		581,859	575,013
Total assets		**740,414**	740,347
EQUITY			
Share capital		**128,000**	128,000
Share premium		**311,464**	311,464
Reserves		**60,255**	57,339
Retained earnings		**127,543**	93,328
Total equity		**627,262**	590,131
LIABILITIES			
Current liabilities			
Trade and other payables	15	**54,610**	92,418
Advances from customers		**—**	57,606
Contract liabilities		**46,723**	—
Dividend payables		**6,400**	—
Current income tax liabilities		**5,419**	192
		113,152	150,216
Non-current liabilities		**—**	—
Total liabilities		**113,152**	150,216
Total equity and liabilities		**740,414**	740,347

NOTES :

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

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 "**Listing**").

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 2018 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 2017, 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 2017, 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 2018.

Standards/Interpretation	**Subject of standards/amendment**
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 1 (Amendment)	First Time Adoption of HKFRS 1
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"
HKAS 28 (Amendment)	Investments in Associates and Joint ventures
HKAS 40 (Amendment)	Transfers of Investment Property
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of the new standards, amendments and interpretation does not have significant impact on the condensed consolidated interim financial information except for HKFRS 9 and HKFRS 15. Please refer to note 4 for the details.

(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 2018 and have not been early adopted by the Group:

Standards/Interpretation	**Subject of standards/amendment**	**Effective for annual years beginning on or after**
HKFRS 16	Leases	1 January 2019
HK (IFRIC) Interpretation 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	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, 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 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

4.1 Impact on the Group's the financial statements

As explained in notes 4.2 and 4.3 below, HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the entity's accounting policies, certain adjustments are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position as at 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	1 January 2018 Restated
Non-current assets				
Deferred tax assets	17,323	398	—	17,721
Current assets				
Trade and other receivables	176,718	(2,581)	—	174,137
Equity				
Retained earnings	93,328	(2,183)	—	91,145
Current liabilities				
Advances from customers	57,606	—	(57,606)	—
Contract liabilities	—	—	57,606	57,606

4.2 Adoption of HKFRS 9 *Financial Instruments*

4.21 HKFRS 9 *Financial Instruments* — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 4.22 below.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

Closing retained earnings 31 December 2017 — HKAS 39	93,328
Increase in provision for trade and other receivables	(2,581)
Increase in deferred tax assets relating to impairment provisions	398
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018	(2,183)
Opening retained earnings 1 January 2018 — HKFRS 9	91,145

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories, which are those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and those to be measured at amortised cost. There were no changes to the classification and measurement of financial assets held by the Group due to the adoption of HKFRS 9.

The Group's financial assets include cash and cash equivalents, restricted cash, time deposits, trade and other receivables and financial assets at fair value through profit or loss.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. The Group's trade and other receivables are subject to HKFRS 9's new expected credit loss model.

The Group was required to revise its impairment methodology under HKFRS 9 for trade and other receivables. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The impact of the change in impairment methodology on the Group's retained earnings is disclosed in the table in note 4.21 above. While cash and cash equivalents, restricted cash and time deposit are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The loss allowances for trade and other receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade and other receivables
At 31 December 2017 — calculated under HKAS 39	72,866
Amounts restated through opening retained earnings	2,581
Opening loss allowance as at 1 January 2018 — calculated under HKFRS 9	75,447

Trade and other receivables are written off when there is no reasonable expectation of recovery.

4.22 HKFRS 9 *Financial Instruments* — Accounting policies applied from 1 January 2018

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ("**ECL**") associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.3 Adoption of HKFRS 15 *Revenue from Contracts with Customers*

4.31 HKFRS 15 *Revenue from Contracts with Customers* — Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 *Revenue* and HKAS 11 *Construction contracts* that relate to the recognition, classification and measurement of revenue and costs.

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policy. The Directors consider that the changes in accounting policy of revenue recognition pursuant to HKFRS 15 do not have significant impact on the revenue recognised in the financial statements.

Reclassification of advances from customers to contract liabilities was made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
Advances from customers	57,606	(57,606)	—
Contract liabilities	—	57,606	57,606

4.32 HKFRS 15 *Revenue from Contracts with Customers* — Accounting policies

Sale of goods

The Group is principally engaged in manufacturing and sale of a range of equipment for steel wire production lines and standalone machineries. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value-added taxes. Revenue from sale of equipments is recognised when the control of the asset has been transferred to the customer, which is usually upon (1) delivery of products to the customer; (2) completion of the installation and on-site testing (if required in the sale contract); and (3) the acceptance by the customer of the equipment without any further unfulfilled obligation.

5 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 equipments for manufacturing steel wire products. Revenues from the sale of goods for the six months ended 30 June 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	2017
Production lines		
— Brass electroplating wire production lines	**49,897**	21,265
— Other production lines	**15,376**	5,812
Standalone machineries	**23,725**	5,020
Other mould repairing equipments, components parts and accessories	**14,315**	11,858
Rental income	**1,387**	1,157
	104,700	45,112

The Group mainly operates its business within mainland China. For the six months ended 30 June 2018 and 2017, the geographical information on the total revenue is as follows:

	Six months ended 30 June	
	2018	2017
Revenue		
— Mainland China	**101,418**	39,056
— Others	**3,282**	6,056
	104,700	45,112

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 2018 or 30 June 2017:

	Six months ended 30 June	
	2018	2017
Company A	**57,159**	10,048
Company B	**22,905**	10,750
Company C	**N/A**[1]	10,723
Company D	**N/A**[1]	5,941

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

6 DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2018	2017
Depreciation and amortisation	**4,744**	4,885

7 OTHER INCOME

	Six months ended 30 June	
	2018	2017
Value-added tax ("**VAT**") refunds *(note (a))*	**646**	10
Government subsidies *(note (b))*	**225**	300
	871	310

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.

8 OTHER GAINS — NET

	Six months ended 30 June	
	2018	2017
Gains on disposal of financial assets at fair value through profit or loss	**2,268**	2,642
Foreign exchange gains/(losses)	**1,029**	(138)
Fair value gains on financial assets at fair value through profit or loss	**505**	—
Losses on disposal of plant and equipment, net	**(20)**	—
	3,782	2,504

9 FINANCE INCOME — NET

	Six months ended 30 June	
	2018	2017
Finance expense	**—**	—
Finance income:		
— Bank interest income	**1,628**	708
— Amortisation of unearned financial income	**394**	793
	2,022	1,501
Finance income — net	**2,022**	1,501

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
Current income tax		
— PRC corporate income tax	**5,505**	—
Deferred income tax	**2,892**	3,277
Income tax expense	**8,397**	3,277

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.

The Company's applicable CIT rate is 25% according to the New CIT Law. Under the relevant regulations of the New CIT Law, the Company was qualified as High/New Tech Enterprise for three years from 2016 to 2018. Therefore, the Company applied a reduced CIT rate of 15% for the six months ended 30 June 2018 (six months ended 30 June 2017: 15%). Except for the Company, all the subsidiaries of the Company applied a CIT rate of 25% for the six months ended 30 June 2018 (six months ended 30 June 2017: 25%).

11 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit for the period 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	
	2018	2017
Profit for the period attributable to shareholders of the Company *(RMB'000)*	**45,714**	12,000
Weighted average number of ordinary shares in issue *(thousand)*	**128,000**	128,000
Basic and diluted earnings per share *(RMB/share)*	**0.36**	0.09

As the Company did not have any dilutive potential ordinary shares outstanding as at 30 June 2018 and 30 June 2017, diluted earnings per share is equal to basic earnings per share.

12 INVENTORIES

	30 June 2018	31 December 2017
Raw materials	**18,923**	16,510
Work in progress	**33,971**	40,161
Finished goods	**28,187**	35,937
	81,081	92,608

13 PROPERTIES HELD FOR SALE

	30 June 2018	31 December 2017
Properties held for sale	**72,969**	—

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 has 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 properties held for sale 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 RECEIVABLES

	30 June 2018	31 December 2017
Trade receivables — third parties *(note (a))*	**140,951**	170,729
Less: unearned financial income	**(400)**	(794)
	140,551	169,935
Notes receivable *(note (b))*	**37,339**	78,095
Interest receivable	**1,457**	919
Other receivables — third parties	**1,365**	635
	180,712	249,584
Less: allowance for impairment of trade receivables	**(61,845)**	(72,467)
Less: allowance for impairment of other receivables	**(399)**	(399)
	(62,244)	(72,866)
	118,468	176,718
Less: non-current portion — trade receivables	**—**	—
Current portion	**118,468**	176,718
	118,468	176,718

Notes:

(a) 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 trade receivables as at 30 June 2018 are such retained sums of approximately RMB53,827,000 (31 December 2017: RMB58,552,000) representing 38.2% (31 December 2017: 34.3%) of trade 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).

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

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

	30 June 2018	31 December 2017
Within 1 year	**44,131**	52,626
Over 1 year and within 2 years	**19,630**	33,535
Over 2 years and within 3 years	**467**	3,261
Over 3 years	**76,723**	81,307
	140,951	170,729

Movements of allowance for impairment of trade and other receivables are as follows:

	Note	Six months ended 30 June 2018	2017
Balance at 31 December		**72,866**	87,472
Adjustment on adoption of HKFRS 9	4.21	**2,581**	—
Restated balance as at 1 January		**75,447**	87,472
Additional allowance for impairment		**384**	—
Reversal of allowance for impairment		**(13,587)**	(8,312)
Receivables written off as uncollectible		**—**	(2,939)
At the end of period		**62,244**	76,221

15 TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
Notes payable *(note (a))*	**24,958**	51,770
Trade payables *(note (b))*	**20,995**	29,101
Quality warranty deposits from suppliers	**2,307**	2,400
Employee benefits payable	**1,628**	1,887
Other taxes payable	**1,013**	1,231
Provision for quality warranty expenses	**326**	237
Payables for property, plant and equipment	**283**	1,109
Others	**3,100**	4,683
	54,610	92,418

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 2018	31 December 2017
Within 1 year	**20,070**	27,960
Over 1 year and within 2 years	**137**	130
Over 2 years and within 3 years	**130**	439
Over 3 years	**658**	572
	20,995	29,101

16 DIVIDENDS

A dividend in respect of the year ended 31 December 2017 of RMB0.05 per share, amounted to a total of RMB6,400,000, has been declared during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB6,400,000).

The Directors do not recommend the declaration of a dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2018, the economy of the People's Republic of China (the "**PRC**" or "**China**") deepened the supply-side structural reform with remarkable results. The economic structure continued to improve with new and old kinetic energy speeding up conversion. As a result, the national economy remained stable and is moving in a positive direction. Although the tire industry still has problems such as overcapacity and insufficient innovation, the economy of the PRC will place focus on the supply-side structural reform in order to promote structural adjustment and optimization of the tire industry in the second half of the year 2018.

According to the data from China Association of Automobile Manufacturers ("**CAAM**"), the growth rate of China's automobile production and sale from January 2018 to June 2018, experienced a downward and upward trend respectively, as compared with the same period of last year, amounted to 14,057,700 vehicles and 14,066,500 vehicles, representing a year-on-year ("**YoY**") increase of 4.15% and 5.57%, respectively. Among which the growth rate of passenger cars increased while the growth rate of commercial vehicles declined slightly. In June 2018, production and sale of automobile in China amounted to 2,290,000 vehicles and 2,270,000 vehicles with an increase of 5.77% and 4.79%, respectively, compared to the same period in 2017.

The new energy vehicles showed strong development momentum. The production and sale of new energy vehicles for the first half of the year 2018 amounted to 413,000 and 412,000 respectively, representing a YoY increase of 94.6% and 111.6%, respectively. Although China is in transition to implement new subsidy policy on new energy automobile and the aggregated sale of new energy vehicles for the first half of 2018 was less than 500,000 vehicles, the sales still performed exceptionally well as compared with the past few years. The CAAM indicated that the production and sale of new energy vehicles for the first half of the year 2018 are far better than last year, and this favorable development trend is expected to continue in the next second half year. Driven by the favorable market environment, the demand for automobile tires will increase YoY with the growth of automobiles production and sale. The Group, as a radial tire steel cord equipment supplier, has actively optimized and adjusted its management concepts and strengthened its risk prevention and control, which enabled the Group's business to achieve steady growth.

As a result, the overall performance of the Group for the six months ended 30 June 2018 has increased significantly as compared to the six months ended 30 June 2017. Total revenue of the Group increased by 132.1% YoY while net profit increased by 281.0% to RMB45,714,000 in the first half of 2018.

Revenue

	For the six months ended 30 June					
	2018			2017		
	Unit(s) sold	***RMB'000***	***%***	*Unit(s) sold*	*RMB'000*	*%*
Brass electroplating wire production lines	**3**	**49,897**	**47.6**	2	21,265	47.1
Other production lines	**4**	**15,376**	**14.7**	1	5,812	12.9
Standalone machines	**187**	**23,725**	**22.7**	27	5,020	11.1
Mould repairing equipment, component parts and accessories	**N/A**	**14,315**	**13.7**	N/A	11,858	26.3
Rental income	**N/A**	**1,387**	**1.3**	N/A	1,157	2.6
		104,700	**100.0**		45,112	100.0

Our revenue increased by approximately RMB59.6 million, or approximately 132.1%, to approximately RMB104.7 million for the six months ended 30 June 2018 from approximately RMB45.1 million in the corresponding period of 2017. The increase in revenue is mainly due to the expansion in downstream industry and growth in market demand.

Brass electroplating wire production lines. Revenue from the sale of brass electroplating wire production lines increased by approximately 134.6% to approximately RMB49.9 million for the six months ended 30 June 2018 from approximately RMB21.3 million in the corresponding period of 2017. Three sets of brass electroplating wire production lines were accepted by the customers during the six months ended 30 June 2018 while two sets were accepted by the customers in the corresponding period of 2017.

Other production lines. Revenue from the sale of other production lines increased by approximately 164.6% to approximately RMB15.4 million for the six months ended 30 June 2018 from approximately RMB5.8 million in the corresponding period of 2017. During the six months ended 30 June 2018, our customers accepted four sets of other production line with a relatively lower price due to different model with different complicated structure, while one set was accepted by the customers in the corresponding period of 2017.

Standalone machineries. Revenue from the sale of standalone machineries increased by approximately 372.6% to approximately RMB23.7 million for the six months ended 30 June 2018 from approximately RMB5.0 million in corresponding period of 2017. The increase was due to the expansion in downstream industry, which led to a growth in market demand. 187 sets of standalone machineries were accepted by our customers during the six months ended 30 June 2018, while 27 sets were accepted by the customers in the corresponding period of 2017.

Mould repairing equipment, component parts and accessories. Revenue from the sale of mould repairing equipment, component parts and accessories increased by approximately 20.7% to approximately RMB14.3 million for the six months ended 30 June 2018 from approximately RMB11.9 million in the corresponding period of 2017. The increase was primarily due to the increased 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 third parties during the six months ended 30 June 2018 and the corresponding period of 2017. As the rental price per month had increased during the six months ended 30 June 2018, the rental income increased.

Gross profit and gross profit margin

Gross profit increased by approximately 179.3% to approximately RMB50.1 million for the six months ended 30 June 2018 from approximately RMB17.9 million in the corresponding period of 2017. The overall gross profit margin increased to approximately 47.8% for the six months ended 30 June 2018 from approximately 39.7% in the corresponding period of 2017 due to the sale of three sets of brass electroplating wire production lines and four sets of other production lines with higher gross profit margin during the six months ended 30 June 2018, as compared to that of corresponding period of 2017.

Other income

Other income mainly represented the VAT refunds and government subsidies received by the Group. Our other income increased by approximately 181.0% to approximately RMB871,000 for the six months ended 30 June 2018 from approximately RMB310,000 in the corresponding period of 2017, primarily due to the net impact of more VAT refunds received and less governments subsidies refunds received.

Selling expenses

Our selling expenses decreased by approximately 8.6% to approximately RMB2.0 million for the six months ended 30 June 2018 from approximately RMB2.2 million in the corresponding period of 2017, primarily due to the decrease in transportation expenses.

Administrative expenses

Our administrative expenses decreased by approximately 86.3% from approximately RMB4.8 million for the six months ended 30 June 2017 to approximately RMB0.7 million for the six months ended 30 June 2018. This is primarily because there was a net reversal of allowance for impairment of receivables of approximately RMB13.2 million for the six months ended 30 June 2018, while the amount of net reversal of allowance was approximately RMB8.3 million in corresponding period of 2017.

Other gains — net

The Group recorded net other gains of approximately RMB3.8 million for the six months ended 30 June 2018, compared with the net other gains of approximately RMB2.5 million in the corresponding period of 2017. 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 RMB2.0 million for the six months ended 30 June 2018, compared with the net finance income of approximately RMB1.5 million in the corresponding period of 2017. The increase was primarily due to the increase in bank interest income.

Income tax expense

The Group recorded an income tax expense of approximately RMB8.4 million for the six months ended 30 June 2018, compared with income tax expense of approximately RMB3.3 million in the corresponding period of 2017. The effective tax rate was 15.5% for the six months ended 30 June 2018, compared with the effective tax rate of 21.5% in the corresponding period of 2017.

TRADE RECEIVABLES

Our gross trade receivables decreased by approximately 17.4% from approximately RMB170.7 million at 31 December 2017 to approximately RMB141.0 million as at 30 June 2018. The decrease was primarily due to the adoption of more stringent collection policy over the customers and the increase of repayment ability of our customers resulting from the expansion in downstream industry. The Group collected approximately RMB13.6 million impaired trade receivables during the six months ended 30 June 2018. The allowance for trade receivables decreased from approximately RMB72.5 million at the end of 2017 to approximately RMB61.8 million as at 30 June 2018.

INVENTORIES

Our inventories decreased by approximately 12.4% from approximately RMB92.6 million as at 31 December 2017 to approximately RMB81.1 million as at 30 June 2018 as a result of a decrease in the balance of work in progress and finished goods along with sales.

TRADE PAYABLES

Our trade payables decreased by approximately 27.9% from approximately RMB29.1 million as at 31 December 2017 to approximately RMB21.0 million as at 30 June 2018, primarily due to a decrease in our purchase of raw materials during the six months ended 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Cash position and fund available

During the six months ended 30 June 2018, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows.

As at 30 June 2018, the total cash and bank balances of the Group were approximately RMB278.1 million (31 December 2017: approximately RMB227.5 million), comprising cash and cash equivalents of approximately RMB133.1 million (31 December 2017: approximately RMB71.9 million), restricted cash of approximately RMB33.3 million (31 December 2017: approximately RMB49.8 million) and time deposits of approximately RMB111.7 million (31 December 2017: RMB105.8 million).

As at 30 June 2018, the current ratio of the Group was 5.1 (31 December 2017: 3.8). The increase was primarily due to the decrease in trade and other payables and advances from customers.

As at 30 June 2018, as the Group had no borrowings, the gearing ratio of the Group (calculated as total borrowings divided by total equity) was zero (31 December 2017: Zero).

SIGNIFICANT INVESTMENTS

Save and except for the acquisition of properties as disclosed under paragraph headed "Major Transaction in relation to Acquisition of Properties" of this announcement, the Group had no significant investments held during the six months ended 30 June 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2018, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

CHARGE ON GROUP ASSETS

As at 30 June 2018, the restricted cash deposits in the amount of approximately RMB33.3 million (31 December 2017: approximately RMB49.8 million) were pledged to banks as security for notes payable and letter of guarantee for export sales. Save for that, the Group did not have any charges on its assets as at 30 June 2018 or 31 December 2017.

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 of the Company dated 30 October 2014 (the "**Prospectus**") or in this announcement, the Group had no future plans for material investments and expected sources of funding as at 30 June 2018.

CAPITAL EXPENDITURES

During the six months ended 30 June 2018, the Group's capital expenditures amounted to RMB0.5 million (six months ended 30 June 2017: RMB1.7 million) which was mainly related to the purchase of machineries and equipment.

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES

On 19 April 2018, 20 April 2018, 21 April 2018 and 22 April 2018, the Company and an independent third party 山東勝通房地產開發有限公司 (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 (equivalent to approximately HKD92,934,745) (the "**Acquisition**").

The Vendor is a limited liability company established in the PRC.

Before the Acquisition, an aggregate amount of RMB74,347,796 (equivalent to approximately HKD92,934,745) for the purchase of equipment under the Company's trade receivables from Shandong Snton Steelcord Co., Ltd. (山東勝通鋼簾線有限公司) ("**Shandong Snton Steelcord**") remained outstanding.

In order to recover the outstanding amount and to reduce the risk of bad debts, the Company agreed to purchase the Properties from the Vendor, a related company of Shandong Snton Steelcord, to set off the amount outstanding from Shandong Snton Steelcord. After the Acquisition, the outstanding amount of RMB74,347,796 (inclusive of the bad debt impairment amount of approximately RMB8,706,825) for the purchase of equipment by Shandong Snton Steelcord would fully be repaid. The Company believes that the Acquisition is more efficient and less time consuming than any other ways for the recovery of the outstanding amount.

As one or more of the relevant percentage ratios (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no shareholder of the Company (the "**Shareholder**") or any of their respective associates have any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting if a general meeting were convened to approve the Acquisition. Pursuant to Rule 14.44 of the Listing Rules, a written shareholders' approval may be accepted in lieu of a general meeting. Written approval of the Acquisition has been obtained from a closely allied group of Shareholders, namely Mr. Zhang Degang, Mr. Zhang Deqiang and Ms. Zhang Jinghua, who respectively holds 43,221,504 shares, 29,983,104 shares and 4,027,392 shares, representing 33.77%, 23.42% and 3.15% of the issued share capital of the Company. Mr. Zhang Degang, Mr. Zhang Deqiang and Ms. Zhang Jinghua are family members and persons acting in concert, and they collectively hold 77,232,000 shares, representing approximately 60.34% of the issued share capital of the Company. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Acquisition.

A circular containing information in relation to the Acquisition and a valuation report of the Properties was despatched to the Shareholders on 20 June 2018.

Details of the Acquisition have been set out in the announcements of the Company dated 24 April 2018, 16 May 2018 and 18 May 2018 and the circular of the Company dated 20 June 2018.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group's capital expenditures contracted but not incurred amounted to approximately RMB275,000 (31 December 2017: approximately RMB492,000).

CAPITAL STRUCTURE

There was no change in the capital structure of the Group during the six months ended 30 June 2018. 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**") and HK dollar ("**HKD**") which are exposed to foreign currency translation risk.

If the USD and HKD 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 2018 would have been approximately RMB3,261,000 better/worse (six months ended 30 June 2017: RMB1,010,000), for various financial assets denominated in USD and HKD.

During the six months ended 30 June 2018, 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 on the Main Board of the Stock Exchange since 11 November 2014. The net proceeds from the Listing after deduction of underwriting commissions, fees and listing-related expenses payables amounted to approximately HKD209.5 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 to 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 proposed change of use of net proceeds was approved at the annual general meeting of the Company held on 9 June 2017 whereby the Board was authorised to purchase wealth management products within one year commencing from the approval at such general meeting, subject to a cap of RMB35 million. As such authority has expired, at the annual general meeting of the Company held on 8 June 2018, 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. For details of the grant of such authorities, please refer to the circulars of the Company dated 21 April 2017 and 23 April 2018, respectively.

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**") as stated in the Prospectus.

Up to 30 June 2018, out of the net proceeds from the Listing, the Group has used approximately HKD94.4 million, HKD14.8 million and HKD21.0 million for (i) funding the construction of the New Wuxi Facility and the New Research & Development Centre; (ii) developing certain targeted research and development projects; and (iii) general working capital and other general corporate purposes, respectively.

As at 30 June 2018, the unused proceeds amounted to approximately HKD84.0 million. Among the unused proceeds of approximately HKD84.0 million, the Group utilised a part of the proceeds for purchasing wealth management products, which amounted to approximately HKD32.0 million as at 30 June 2018. The remaining unused proceeds, including the net proceeds of HKD47.3 million and interest of net proceeds of HKD4.7 million, were deposited in licensed banks in the PRC. Approximately HKD12.0 million unused proceeds for the intended use of developing certain targeted research and development projects intended to be utilised by 2022. Approximately HKD72.0 million unused proceeds for the intended use of funding the construction of the New Wuxi Facility and the New Research & Development Centre intended to be utilized by 2022.

PROSPECTS

The supply-side reform will be pushed forward in 2018. Under this scenario, enterprises gradually adapt to market changes, and will place more emphasis on technology innovation, brand building, sophisticated production, existing technology upgrading and line stretching. Looking forward to the second half of 2018, the Chinese automobile sales market will continue to grow. For the past few years, China has implemented key development strategies and rolled out a number of infrastructure projects including railway and roads. This will encourage the development of automobile transportation and leading to the increase of automobile ownerships in China. In addition, the advancement of urbanization and rapid development of e-commerce will continue to stimulate the demand for road transportation logistics. The ever-increasing transportation frequency accelerates the loss of tires. Therefore, the replacement demand for tires will be greatly increased, driving the recovery of the domestic tire market and stimulating the growth of the domestic bead wire production industry.

As the government's efforts in environmental protection continue to increase and the new energy vehicle market continues to prosper, The Board is of the view that the Group will face more opportunities and challenges in this environment and expects that the Group's business will grow steadily in the second half of 2018, the Group will review and focus on industry trends to take strategic guidance approach. The Group has also upgraded the existing production lines, improved the quality of the Group's products and production processes in order to improve the production capacity of radial tire cord. In addition, the Group will actively explore domestic and overseas markets, stabilize and expand existing market share, in order to strengthen the Group's long-term sustainable growth and profitability.

EMPLOYEE AND REMUNERATION INFORMATION

As at 30 June 2018, the Group employed a total of 146 full-time employees (31 December 2017: 147 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 2018, the Group's total employee remuneration was approximately RMB8.4 million (six months ended 30 June 2017: approximately RMB9.3 million), representing approximately 8.0% 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 2018, the Group did not have any significant contingent liabilities (31 December 2017: nil).

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

During the six months ended 30 June 2018, 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 2018.

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 2018.

DIVIDENDS

The Directors do not declare a dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 2018.

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 2018, the Company and 招商銀行 (China Merchants Bank Co., Ltd*) (the "**China Merchants Bank**") entered into the structured deposit agreements, pursuant to which the Company has agreed to subscribe for a wealth management product of structured deposit of China Merchants Bank with an aggregate amount of RMB30,000,000. Among the subscription amount of RMB30,000,000, a total of RMB27,000,000 was financed by the temporary idle proceeds of the Company raised from the Listing and a total of RMB3,000,000 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 2018.

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 2018 containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites.

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, 24 August 2018

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*