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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Highlights	**For the year ended 31 December**		
	2017	2016	**Change**
Revenue *(RMB million)*	**160.6**	112.3	**43.0%**
Gross profit *(RMB million)*	**54.9**	32.9	**66.8%**
Profit before income tax *(RMB million)*	**40.7**	15.9	**156.3%**
Profit for the year *(RMB million)*	**33.5**	28.6	**16.9%**
Profit attributable to shareholders of the Company *(RMB million)*	**33.5**	28.6	**16.9%**
Basic and diluted earnings per share *(RMB)*	**0.26**	0.22	**18.2%**

ANNUAL 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" or "Sunlit") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Year").

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

	Note	**Year ended 31 December 2017**	2016
Revenue	2	**160,584**	112,284
Cost of sales		**(105,663)**	(79,350)
Gross profit		**54,921**	32,934
Selling expenses		**(4,885)**	(4,332)
Administrative expenses		**(17,139)**	(19,850)
Other income	4	**522**	1,871
Other gains — net	5	**5,097**	3,660
Operating profit		**38,516**	14,283
Finance income	6	**3,510**	1,577
Finance expense	6	**(1,371)**	—
Finance income — net	6	**2,139**	1,577
Profit before income tax		**40,655**	15,860
Income tax (expense)/credit	7	**(7,200)**	12,748
Profit for the year attributable to shareholders of the Company		**33,455**	28,608
Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)			
— Basic and diluted	8	**0.26**	0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Year ended 31 December	
	2017	2016
Profit for the year	**33,455**	28,608
Other comprehensive income	**—**	—
Total comprehensive income for the year attributable to shareholders of the Company	**33,455**	28,608

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December **2017**	2016
ASSETS			
Non-current assets			
Land use rights		**24,274**	25,335
Property, plant and equipment		**101,993**	109,328
Investment properties		**21,725**	20,934
Intangible assets		**19**	62
Trade receivables	9	**—**	15,922
Deferred income tax assets — net		**17,323**	24,175
		165,334	195,756
Current assets			
Inventories	10	**92,608**	45,924
Prepayments		**775**	2,252
Trade and other receivables	9	**176,718**	155,353
Financial assets at fair value through profit or loss		**77,450**	30,248
Restricted cash		**49,787**	13,096
Time deposits		**105,763**	—
Cash and cash equivalents		**71,912**	193,562
		575,013	440,435
Total assets		**740,347**	636,191
EQUITY			
Share capital		**128,000**	128,000
Share premium		**311,464**	311,464
Reserves		**57,339**	56,245
Retained earnings		**93,328**	67,367
Total equity		**590,131**	563,076

		As at 31 December	
	Note	**2017**	2016
LIABILITIES			
Current liabilities			
Trade and other payables	11	**92,418**	48,349
Advances from customers		**57,606**	24,412
Current income tax liabilities		**192**	354
		150,216	73,115
Non-current liabilities		**—**	—
Total liabilities		**150,216**	73,115
Total equity and liabilities		**740,347**	636,191

NOTES:
(All amounts in RMB thousands unless otherwise stated)

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Amendments to standards adopted by the Group

The Group had adopted the following amendments to standards are effective for the Group's financial year beginning on 1 January 2017:

Standards	**Subject of amendment**
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealized losses
HKAS 7 (Amendment)	Disclosure initiative
HKFRS 12 (Amendment)	Disclosure of interest in other entities

The adoptions of the above amendments to standards did not have significant impact on the current period or any prior periods and is not likely to affect future periods.

(b) New standards and amendments and interpretations to standards not yet adopted

The following new standards and amendments and interpretation to standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Group:

Standards/Interpretation	**Subject of standards/amendment**	**Effective for annual years beginning on or after**
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendment)	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 16	Leases	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 and amendments and interpretations to standards, certain of which are relevant to the Group's operations. The adoption of these new standards and amendments is not expected to have a material impact on the Group's operating results or financial position.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Under HKFRS 15, an entity recognizes revenue when a performance obligation is satisfied. The adoption of HKFRS 15 may have impact on the amount of revenue recognised when multiple performance obligations are identified. The new standard is expected to be effective for the annual periods beginning on or after 1 January 2018. Based on the preliminary assessment, the Group has not identified multiple performance obligations and expects no material impact upon adoption of HKFRS 15 to the financial statements other than the presentation of additional disclosure.

HKFRS 9 Financial instruments

HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. The Group does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

For financial liabilities there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

2 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 manufacturing and sale of a range of equipment for manufacturing steel wire products. Revenues from sale of goods for the years ended 31 December 2017 and 2016 are as follows:

	Year ended 31 December	
	2017	2016
Production lines		
— Brass electroplating wire production lines	**21,265**	59,447
— Other production lines	**20,355**	11,363
Standalone machines	**94,974**	10,982
Other mould repairing equipment, components parts and accessories	**21,603**	28,439
Rental income	**2,387**	2,053
	160,584	112,284

For the years ended 31 December 2017 and 2016, the geographical information on the total revenue is as follows:

	Year ended 31 December	
	2017	2016
Revenue		
— Mainland China	**97,805**	87,146
— Others	**62,779**	25,138
	160,584	112,284

The Group's revenues were derived from the following external customers that individually contributed more than 10% of the Group's revenues.

	Year ended 31 December	
	2017	2016
Company A	**41,533**	N/A[1]
Company B	**39,785**	N/A[1]
Company C	**21,540**	25,138
Company D	**N/A[1]**	22,657
Company E	**N/A[1]**	20,067

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

3 DEPRECIATION AND AMORTISATION

Depreciation and amortisation charged to the consolidated income statement are as follow:

	Year ended 31 December	
	2017	2016
Depreciation and amortisation	**9,720**	9,296

4 OTHER INCOME

	Year ended 31 December	
	2017	2016
Government subsidies *(note (a))*	**317**	15
Value-added tax ("VAT") refunds *(note (b))*	**205**	1,856
	522	1,871

Notes:

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

(b) According to the relevant tax regulations, the sales of self-developed software products of a wholly-owned subsidiary, 無錫海盛軟件科技有限公司 (Wuxi Haisheng Software Technology Co., Ltd.*) ("Haisheng Software"), was entitled to VAT refunds from December 2011 until 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.

5 OTHER GAINS — NET

	Year ended 31 December	
	2017	2016
Gains on disposal of financial assets at fair value through profit or loss	**3,895**	3,038
Unrealised fair value gain on financial assets at fair value through profit or loss	**1,202**	248
Foreign exchange losses	**—**	(3)
Others	**—**	377
	5,097	3,660

6 FINANCE INCOME — NET

	Year ended 31 December	
	2017	2016
Finance expense:		
— Foreign exchange losses	**(1,371)**	—
Finance income:		
— Bank interest income	**1,841**	1,577
— Amortisation of unearned financial income	**1,669**	—
	3,510	1,577
Finance income — net	**2,139**	1,577

7 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2017	2016
Current income tax — PRC corporate income tax	**348**	1,772
Deferred income tax	**6,852**	(14,520)
Income tax expense/(credit)	**7,200**	(12,748)

Except for the PRC corporate income tax described below, the Group is not subject to income tax of other jurisdictions.

PRC corporate income tax ("CIT")

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 CIT is unified at 25% for all types of entities, effective from 1 January 2008.

(a) 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 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 year ended 31 December 2017 (2016: 15%).

(b) Haisheng Software, a wholly-owned subsidiary of the Company, was qualified as a newly established software enterprise under the New CIT Law in 2012. As approved by the PRC tax authorities, Haisheng Software was exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first cumulative profit-making year net of losses carried forward. The first cumulative profit-making year of Haisheng Software was 2012. Therefore, Haisheng Software was not entitled to the aforementioned preferential policy commencing from 1 January 2017 and applied a CIT rate of 25% during the year ended 31 December 2017 (2016: 12.5%).

8 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 during the year.

	Year ended 31 December	
	2017	2016
Profit attributable to shareholders of the Company *(RMB'000)*	**33,455**	28,608
Weighted average number of ordinary shares in issue *(thousand)*	**128,000**	128,000
Basic and diluted earnings per share *(RMB/share)*	**0.26**	0.22

As the Company did not have any dilutive potential ordinary shares outstanding as at 31 December 2017 and 2016, diluted earnings per share is equal to basic earnings per share.

9 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
Trade receivables — third parties *(note (a))*	**170,729**	194,441
Less: unearned financial income	**(794)**	(2,463)
	169,935	191,978
Notes receivable *(note (b))*	**78,095**	65,673
Interest receivable	**919**	378
Other receivables — third parties	**635**	718
	249,584	258,747
Less:		
Allowance for impairment of trade receivables	**(72,467)**	(87,260)
Allowance for impairment of other receivables	**(399)**	(212)
	(72,866)	(87,472)
	176,718	171,275
Non-current portion	**—**	15,922
Current portion	**176,718**	155,353
	176,718	171,275

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 31 December 2017 are such retained sums of approximately RMB58,552,000 (2016: RMB66,112,000) representing 34.3% (2016: 34.0%) 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:

	As at 31 December	
	2017	2016
Within 1 year	**52,626**	42,853
1–2 years	**33,535**	8,369
2–3 years	**3,261**	80,496
Over 3 years	**81,307**	62,723
	170,729	194,441

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

	Year ended 31 December	
	2017	2016
Opening balance at 1 January	**87,472**	106,877
Additional allowance for impairment	**9,313**	8,727
Reversal of allowance for impairment	**(18,878)**	(14,945)
Receivables written off as uncollectible	**(5,041)**	(13,187)
Closing balance at 31 December	**72,866**	87,472

10 INVENTORIES

	As at 31 December	
	2017	2016
Raw materials	**16,510**	13,721
Work in progress	**40,161**	29,535
Finished goods	**35,937**	2,668
	92,608	45,924

For the year ended 31 December 2017, the cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB88,945,000 (2016: RMB70,924,000), which included the reversal of allowance for impairment of inventories of RMB1,172,000 (2016: RMB4,379,000).

11 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
Notes payable *(note (a))*	**51,770**	23,008
Trade payables *(note (b))*	**29,101**	12,953
Quality warranty deposits from suppliers	**2,400**	3,260
Employee benefits payable	**1,887**	1,618
Other taxes payable	**1,231**	336
Payables for property, plant and equipment	**1,109**	2,937
Provision for quality warranty expenses	**237**	157
Others	**4,683**	4,080
	92,418	48,349

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:

	As at 31 December	
	2017	2016
Within 1 year	**27,960**	11,655
1–2 years	**130**	440
2–3 years	**439**	242
Over 3 years	**572**	616
	29,101	12,953

12 DIVIDENDS

A dividend in respect of the year ended 31 December 2016 of RMB0.05 per share, amounted to a total dividend of RMB6,400,000, has been paid in 2017 (2016: nil).

A dividend in respect of the year ended 31 December 2017 of RMB0.05 per share, amounting to a total dividend of RMB6,400,000, has been proposed by the Board of Directors of the Company and is subject to the approval of the shareholders at the Annual General Meeting to be held on 8 June 2018. These financial statements have not reflected this dividend payable (2016: final dividend of RMB0.05 per share, amounting to a total dividend of RMB6,400,000).

	As at 31 December	
	2017	2016
Proposed final dividend of RMB0.05 (2016: RMB0.05) per ordinary share	**6,400**	6,400

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2017, the economy of the People's Republic of China (the "PRC" or "China") placed focus on the supply-side structural reform in order to advance structural optimization, shift in forces and quality upgrade. As a result, the stability, coordination and sustainability of the national economy were significantly enhanced and the economy maintained a steady growth. Nevertheless, the tire industry experienced ups and downs and opportunities and risks did co-exist. Bringing innovation to tire technology and quality is in the offing.

According to the data from China Association of Automobile Manufacturers ("CAAM"), production and sale of automobiles in China in 2017 amounted to 29,015,000 vehicles and 28,879,000 vehicles, representing a year-on-year ("YoY") increase of 3.2% and 3% as compared to the growth rate of 14.5% and 13.7% in 2016, respectively. Despite the slight growth in the automobile market in 2017, the new energy automobile sector showed strong development momentum last year with production and sale of nearly 800,000 vehicles, resulting in increases in both domestic and international markets. CAAM indicated that China's automobile industry was under certain pressure in 2017. Due to the reduction in preferential purchase tax, the passenger car market has utilized the demand ahead of time in 2016, leading to a significant slowdown in production and sales growth of passenger cars in 2017, the slowest growth since 2008. On the other hand, the adjustment to the new energy automobile policy has exerted certain influence on the sale in the second half of the Year. In light of the operation of the automobile industry throughout the Year, growth in production and sales was slightly lower than the expectation of 5% in early 2017, but growth was still recorded in 2017 on the basis of the high base in 2016. As a result, the overall economy of the industry was progressing steadily, showing a trend of stable improvement. Driven by the favorable market environment, the Group proactively optimized and adjusted its operation strategy while strengthening the risk prevention and control, so as to remain stable and improve operation and achieve a satisfactory development.

During the Year, the Group's overall performance showed a significant growth as compared to 2016. Revenue of the Group increased by 43% during the Year as compared to the same period of last year and gross profit for the Year increased by 66.8% to RMB54,921,000. The Group recorded a net profit of RMB33,455,000 in 2017.

Financial Review

Revenue

	Year ended 31 December					
	2017			2016		
	Unit(s) sold	***RMB'000***	***%***	*Unit(s) sold*	*RMB'000*	*%*
Brass electroplating wire production lines	**2**	**21,265**	**13.2**	5	59,447	53.0
Other production lines	**4**	**20,355**	**12.7**	7	11,363	10.1
Standalone machineries	**576**	**94,974**	**59.1**	83	10,982	9.8
Mould repairing equipment, component parts and accessories	**N/A**	**21,603**	**13.5**	N/A	28,439	25.3
Rental income	**N/A**	**2,387**	**1.5**	N/A	2,053	1.8
		160,584	**100.0**		112,284	100.0

Our revenue increased by approximately RMB48.3 million or approximately 43.0% to approximately RMB160.6 million for 2017 from approximately RMB112.3 million for 2016. The increase is mainly due to the expansion in downstream industry and growth in market demand.

Brass electroplating wire production lines. Revenue from sale of brass electroplating wire production lines decreased by approximately 64.2% to approximately RMB21.3 million for 2017 from approximately RMB59.4 million for 2016. 2 sets of brass electroplating wire production lines were accepted by the customers in 2017 while 5 sets were accepted by the customers in 2016. The decrease was mainly due to the decrease in market demand for the completed set of production lines.

Other production lines. Revenue from sale of other production lines increased by approximately 79.1% to approximately RMB20.4 million for 2017 from approximately RMB11.4 million for 2016. The increase was mainly due to the increase in the sale price of other production lines with the complicated manufacturing process.

Standalone machineries. Revenue from sale of standalone machineries increased by approximately 764.8% to approximately RMB95.0 million for 2017 from approximately RMB11.0 million for 2016. The increase was due to the increase in sale quantity in the standalone machineries, with the number of standalone machineries being sold increase largely from 83 sets in 2016 to 576 sets in 2017.

Mould repairing equipment, component parts, and accessories. Revenue from sale of mould repairing equipment, component parts, and accessories decreased by approximately 24.0% to approximately RMB21.6 million for 2017 from approximately RMB28.4 million for 2016. The decrease was primarily due to the decrease in equipment modification services provided to customers.

Rental income. Revenue from rental income arose from the Group's investment properties, which were rented to third parties in 2017 and 2016. As more properties had been rented out during 2017, the rental income has increased.

Gross profit and gross profit margin

Our gross profit increased by approximately 66.8% from approximately RMB32.9 million for 2016 to approximately RMB54.9 million for 2017. Our overall gross profit margin increased from approximately 29.3% for 2016 to approximately 34.2% for 2017, mainly due to the increase in gross profit margin of standalone machineries, with a higher proportion in the sales mix.

Other income

Our other income decreased by approximately 72.1% from approximately RMB1.9 million for 2016 to approximately RMB0.5 million for 2017, primarily due to less value-added tax refunds received.

Selling expenses

Our selling expenses increased by approximately 12.8% from approximately RMB4.3 million for 2016 to approximately RMB4.9 million for 2017, primarily due to the increase in transportation expenses.

Administrative expenses

Our administrative expenses decreased from approximately RMB19.9 million for 2016 to approximately RMB17.1 million for 2017. This is primarily because there was a net reversal of allowance for impairment of receivables of approximately RMB9.6 million during 2017 resulting from collection of some impaired trade receivables after the continuous effort of the Group to collect the receivables while a net reversal of allowance for impairment of receivables of approximately RMB6.2 million was made during 2016.

Other gains — net

The Group recorded net other gains of approximately RMB5.1 million in 2017, compared with the net other gains of approximately RMB3.7 million in 2016. Other gains mainly included the gains on disposal of financial assets at fair value through profit or loss and unrealised fair value gains on financial assets at fair value through profit or loss.

Finance income — net

The Group recorded a net finance income of approximately RMB2.1 million in 2017, compared with the net finance income of approximately RMB1.6 million in 2016. The increase in finance income was mainly due to the amortisation of unearned financial income.

Income tax expense/(credit)

The Group recorded income tax expense of approximately RMB7.2 million for 2017, compared with the credit to income tax expense of approximately RMB12.7 million for 2016. The Group recognised the deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Trade receivables

Our gross trade receivables decreased by approximately 12.2% from approximately RMB194.4 million as at 31 December 2016 to approximately RMB170.7 million as at 31 December 2017. 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 extension in downstream industries. Meanwhile, the Group collected approximately RMB18.9 million impaired trade receivables during 2017, and the allowance for trade receivables decreased from approximately RMB87.3 million at the end of 2016 to approximately RMB72.5 million at the end of 2017.

Inventories

Our inventories increased by approximately 101.7% from approximately RMB45.9 million at the end of 2016 to approximately RMB92.6 million at the end of 2017, mainly because the Group signed certain sale contracts in the second half of 2017, and most of them were still in the stage of manufacturing or installation at the year end of 2017.

Trade payables

Our trade payables increased by approximately 124.7% from approximately RMB13.0 million at the end of 2016 to approximately RMB29.1 million at the end of 2017, primarily due to an increase in our purchase of raw materials during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

Cash position and fund available

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows.

As at 31 December 2017, the total cash and bank balances of the Group were approximately RMB227.5 million (31 December 2016: approximately RMB206.7 million), comprising cash and cash equivalents of approximately RMB71.9 million (31 December 2016: approximately RMB193.6 million), restricted cash of approximately RMB49.8 million (31 December 2016: approximately RMB13.1 million) and time deposits of approximately RMB105.8 million (31 December 2016: Nil).

As at 31 December 2017, the current ratio of the Group was 3.8 (31 December 2016: 6.0). The decrease was mainly due to the increase of trade and other payables and advances from customers.

The gearing ratio of the Group (calculated as total borrowings divided by total equity) was zero (31 December 2016: zero).

The Group was in a strong net cash position as at 31 December 2017 and 2016. The Group has sufficient and readily available finance resources for general working capital requirement and foreseeable capital expenditure.

Borrowings

As at 31 December 2017, the Group had no borrowings (31 December 2016: Nil).

CAPITAL EXPENDITURES

In 2017, the Group's capital expenditures amounted to approximately RMB2.1 million (2016: approximately RMB11.3 million) which was related to the construction of buildings of approximately RMB1.0 million and the purchase of machineries and equipments of approximately RMB1.1 million.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the Year. The capital of the Group only comprises ordinary shares.

FOREIGN CURRENCY RISK

Foreign exchange risk arises when 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 its transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's assets and liabilities as at 31 December 2017 were denominated in the respective Group companies' functional currencies.

During the Year, the Group did not use any financial instruments for hedging purposes. The management will continue to monitor foreign currency risk and adopt prudent measures as and when appropriate.

USE OF NET PROCEEDS FROM THE LISTING

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

With a view to improve 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 utilize 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.

At the annual general meeting of the Company held on 9 June 2017, 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 will be proposed at the forthcoming 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 21 April 2017.

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 Wuxi Facility and its new research & development centre to be established in the New Wuxi Facility (the "New Research & Development Centre") as stated in the prospectus of the Company dated 30 October 2014 (the "Prospectus").

Up to 31 December 2017, out of the net proceeds from the Listing, the Group used approximately HK$92.9 million, HK$13.6 million and HK$21.0 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. In addition, the Group utilized a part of the proceeds for purchasing wealth management products, which amounted to approximately HK$31.2 million as at 31 December 2017. As at 31 December 2017, the unused proceeds of approximately HK$55.3 million, including net proceeds of HK$50.8 million and interest of net proceeds of HK$4.5 million, were deposited in licensed banks in the PRC.

PROSPECTS

In 2018, the growth of the automobile industry will continue to slow down, and 2018 will be a year full of challenges and opportunities. After the market downturn, only the fittest could survive and the tire industry has started to recover in a gradual manner. Through consistent and precise management, cost control and lean manufacturing, Sunlit's management successfully maintained the leading position of the Group. In 2018, China's supply-side reform will gradually deepen, and it believed that the automobile industry will continue to recover. In addition, the boom in the photovoltaic industry also drove the demand for electroplated brass wire. In such circumstances, Sunlit will be presented with more opportunities. The management expected that in the coming financial year, the Group's business will continue to grow steadily and its scale will continue to expand. The Group is taking a strategic approach, which involves strengthening technological development, and training technological management and technological innovation personnel. The Group has stepped up the expansion of its production capacity and the construction of new plants with an aim to satisfy the growing number of orders. The Group has also upgraded its existing production lines in order to improve the production capacity of radial tire cord. In addition, the Group will actively explore overseas markets and maintain and expand its existing market share, so as to restore the Group's long-term sustainable growth and profitability. Although market volatility may lead to short-term uncertainty in performance, Sunlit is confident that it is well prepared for further breakthroughs when the market matures and is committed to maintaining the interests of the Group's shareholders. Meanwhile, the Group will be further supported by more domestic and overseas customers, allowing it to not only maintain a leading position in the domestic market, but also move forward to realize the goals of becoming a global leading producer of steel cord products and equipment and achieving better performance.

EMPLOYEE AND REMUNERATION INFORMATION

As at 31 December 2017, the Group employed a total of 147 full-time employees (2016: 132), including administration, finance, internal audit, research and development, technical application, quality control, manufacturing, procurement, sales and marketing staff. For the year ended 31 December 2017, the Group's total employee remuneration was approximately RMB17.6 million (2016: approximately RMB15.3 million).

The Group places great emphasis on recruiting and training quality personnel by providing orientation programs to the new employees and on-going internal training to the existing employees to enhance their industry, 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 our 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 31 December 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

SIGNIFICANT INVESTMENTS

Save and except for the wealth management products as disclosed under paragraph headed "Discloseable Transactions in relation to Subscription of Wealth Management Product" of this announcement, the Group had no significant investments held during the Year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

CHARGE ON GROUP ASSETS

As at 31 December 2017, the cash deposits in the amount of approximately RMB49.8 million (31 December 2016: approximately RMB13.1 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 31 December 2017 or 31 December 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDS

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 elsewhere in this report, the Group had no future plans for material investments and expected source of funds as at 31 December 2017.

DISCLOSEABLE TRANSACTIONS IN RELATION TO SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCT

On 3 July 2017, the Company and 平安銀行 (Ping An Bank Co., Ltd.*) ("Ping An Bank") entered into the wealth management product agreement, pursuant to which the Company has agreed to subscribe for a wealth management product of Ping An Bank in the amount of RMB50,000,000 which was financed by the temporary idle internal funds of the Company.

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.

On 14 July 2017, the Company and 招商銀行 (China Merchants Bank Co., Ltd.*) ("China Merchants Bank") entered into the wealth management product agreement, pursuant to which the Company has agreed to subscribe for a wealth management product of China Merchants Bank in the amount of RMB26,000,000 which was financed by the temporary idle proceeds of the Company raised from the Listing.

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 transactions, please refer to the announcements of the Company dated 3 July 2017 and 14 July 2017, respectively.

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

The Company complied with all code provisions of the CG Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules") throughout the Year.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Upon making specific enquiries of all the Directors and supervisors of the Company, each of the Directors and supervisors of the Company confirmed that he/she has fully complied with the required standards set out in the Model Code throughout the Year.

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 would be prohibited from dealing by the Model Code as if he were a Director.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this announcement.

DIVIDEND

For the Year, the Board has proposed a final dividend of RMB0.05 per share (before tax) totalling RMB6.4 million (before tax), subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 8 June 2018 (the "AGM"). The final dividend, if approved by the shareholders of the Company at the AGM, will be paid to the shareholders of the Company whose names appeared on the register of members of the Company on Wednesday, 20 June 2018. Dividends payable to the holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to the holders of the Company's H shares shall be paid in Hong Kong dollars. Dividends on H share are also subject to PRC Withholding Income Tax. The final dividend will be payable on or around Monday, 16 July 2018 and a detailed plan of distribution will be separately announced in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 May 2018 to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares will be effected. The holders of shares whose names appear on the register of members of the Company on Friday, 8 June 2018 will be entitled to attend and vote at the AGM and the class meetings of the Company for the holders of H shares and domestic shares of the Company to be held on Friday, 8 June 2018 (the "Class Meetings"). In order to be qualified to attend and vote at the AGM and the Class Meetings, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong (in respect of H shares), or to the Company's registered office in the PRC at 1 Yanxin Road East, Huishan Economic Development Zone, Wuxi, Jiangsu Province, PRC (in respect of Domestic shares) no later than 4:00 p.m. on Tuesday, 8 May 2018.

The register of members of the Company will be closed from Thursday, 14 June 2018 to Wednesday, 20 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for receiving the final dividend for the year ended 31 December 2017, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong (in respect of H shares), or to the Company's registered office in the PRC at 1 Yanxin Road East, Huishan Economic Development Zone, Wuxi, Jiangsu Province, PRC (in respect of Domestic shares) no later than 4:00 p.m. on Wednesday, 13 June 2018.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") will be held on Friday, 8 June 2018. Notice of the AGM will be sent to the shareholders of the Company in due course.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") was established with terms of reference in compliance with the CG Code. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, financial reporting system, risk management and internal control systems, and has reviewed the Group's annual results for the Year.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Company's external auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.wxsunlit.com) respectively. The annual report for the Year containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

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, 29 March 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 purposes only*