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 2016 AND CHANGE OF THE ADDRESS OF REGISTERED OFFICE

Financial Highlights	**For the year ended 31 December**		
	2016	2015	**Change**
Revenue *(RMB million)*	**112.3**	68.2	**64.7%**
Gross profit *(RMB million)*	**32.9**	18.2	**80.8%**
Profit/(loss) before income tax *(RMB million)*	**15.9**	(91.8)	**117.3%**
Profit/(loss) for the year *(RMB million)*	**28.6**	(88.8)	**132.2%**
Profit/(loss) attributable to shareholders of the Company *(RMB million)*	**28.6**	(88.8)	**132.2%**
Basic and diluted earnings/(loss) per share *(RMB)*	**0.22**	(0.69)	**131.9%**

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 2016 (the "Year").

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Revenue	*2*	**112,284**	68,168
Cost of sales		**(79,350)**	(49,969)
Gross profit		**32,934**	18,199
Selling expenses		**(4,332)**	(3,701)
Administrative expenses		**(19,850)**	(117,475)
Other income	*4*	**1,871**	3,697
Other gains — net	*5*	**3,660**	2,847
Operating profit/(loss)		**14,283**	(96,433)
Finance income	*6*	**1,577**	4,846
Finance expense	*6*	**—**	(257)
Finance income — net	*6*	**1,577**	4,589
Profit/(loss) before income tax		**15,860**	(91,844)
Income tax credit	*7*	**12,748**	3,040
Profit/(loss) for the year attributable to shareholders of the Company		**28,608**	(88,804)
Earnings/(loss) per share attributable to shareholders of the Company for the year *(RMB)*			
— Basic and diluted	*8*	**0.22**	(0.69)

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

	Year ended 31 December	
	2016	2015
Profit/(loss) for the year	**28,608**	(88,804)
Other comprehensive income	**—**	—
Total comprehensive income for the year attributable to shareholders of the Company	**28,608**	(88,804)

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December **2016**	2015
ASSETS			
Non-current assets			
Land use rights		**25,335**	25,785
Property, plant and equipment		**109,328**	107,994
Investment properties		**20,934**	19,671
Intangible assets		**62**	200
Trade receivables	*9*	**15,922**	3,470
Deferred income tax assets — net		**24,175**	9,655
		195,756	166,775
Current assets			
Inventories	*10*	**45,924**	63,318
Prepaid income tax		**—**	19
Prepayments		**2,252**	9,084
Trade and other receivables	*9*	**155,353**	181,688
Financial assets at fair value through profit or loss		**30,248**	—
Restricted cash		**13,096**	13,056
Cash and cash equivalents		**193,562**	169,801
		440,435	436,966
Total assets		**636,191**	603,741
EQUITY			
Share capital		**128,000**	128,000
Share premium		**311,464**	311,464
Reserves		**56,245**	55,463
Retained earnings		**67,367**	39,541
Total equity		**563,076**	534,468
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	**48,349**	48,159
Advances from customers		**24,412**	21,114
Current income tax liabilities		**354**	—
		73,115	69,273
Non-current liabilities		**—**	—
Total liabilities		**73,115**	69,273
Total equity and liabilities		**636,191**	603,741

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) New and amended standards adopted by the Group

The Group had adopted the following new standards and amendments which are effective for the Group's financial year beginning on 1 January 2016:

HKFRS 14	Regulatory Deferral Accounts
HKFRS 11 (Amendment)	Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 10, 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKAS 16 and HKAS 41 (Amendment)	Agriculture: bearer plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Amendment to HKFRS	Annual Improvements 2012–2014 cycle
HKAS 1 (Amendment)	Disclosure Initiative

The adoptions of the above new standards and amendments have no material impact to the Group's consolidated financial statements.

(b) New standards and interpretations not yet adopted

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements:

HKAS 12 (Amendment)	Income taxes[1]
HKAS 7 (Amendment)	Statement of cash flows[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]
HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 16	Lease[3]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019 or adopt HKFRS 15 at the same time

4 The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted

The Group is in the process of making an assessment on the impact of these standards and amendments to standards on the financial statements of the Group in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results or financial position.

There are no other amendments or interpretations to HKFRS that are not yet effective that would be expected to have a material impact on the Group.

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 sales of goods are as follows:

	Year ended 31 December	
	2016	2015
Production lines		
— Brass electroplating wire production lines	**59,447**	23,571
— Other production lines	**11,363**	1,856
Standalone machineries	**10,982**	25,718
Other mould repairing equipment, component parts and accessories	**28,439**	15,590
Rental income	**2,053**	1,433
	112,284	68,168

For the years ended 31 December 2016 and 2015, the geographical information on the total revenue is as follows:

	Year ended 31 December	
	2016	2015
Revenue		
— Mainland China	**87,146**	54,176
— Others	**25,138**	13,992
	112,284	68,168

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	
	2016	2015
Company A	**25,138**	11,455
Company B	**22,657**	382
Company C	**20,067**	3,562
Company D	**864**	20,611
Company E	**4,316**	12,410
	73,042	48,420

3 DEPRECIATION AND AMORTISATION

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

	Year ended 31 December	
	2016	2015
Depreciation and amortisation	**9,296**	7,768

4 OTHER INCOME

	Year ended 31 December	
	2016	2015
Value-added tax("VAT") refunds *(Note (a))*	**1,856**	992
Government subsidies *(Note (b))*	**15**	2,705
	1,871	3,697

Notes:

(a) According to the relevant tax regulations, the sales of self-developed software products of a wholly-owned subsidiary of the Company 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 to October 2016.

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

5 OTHER GAINS — NET

	Year ended 31 December	
	2016	2015
Gains on disposal of financial assets at fair value through profit or loss	**3,038**	—
Unrealised fair value gain on financial assets at fair value through profit or loss	**248**	—
Foreign exchange (loss)/gains	**(3)**	172
Gains on disposal of plant and equipment and land used right, net	**—**	2,552
Others	**377**	123
	3,660	2,847

6 FINANCE INCOME — NET

	Year ended 31 December	
	2016	2015
Interest expense:		
— Bank borrowings	**—**	(429)
Less: amounts capitalised on qualifying assets	**—**	172
Total finance expense	**—**	(257)
Finance income:		
— Bank interest income	**1,577**	2,666
— Exchange gain	**—**	2,180
	1,577	4,846
Finance income — net	**1,577**	4,589

7 INCOME TAX CREDIT

	Year ended 31 December	
	2016	2015
Current income tax — PRC corporate income tax	**1,772**	1,034
Deferred income tax	**(14,520)**	(4,074)
Income tax credit	**(12,748)**	(3,040)

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 was qualified as High/New Tech Enterprise for three years from 2013 to 2015. In November 2016, the Company was approved to quality as High/New Tech Enterprise for additional three years from 2016 to 2018. Therefore, the Company applied a reduced CIT rate of 15% for the year ended 31 December 2016 (2015: 15%).

(b) Haisheng Software, a subsidiary of the Company, was qualified as a newly established software enterprise under the New CIT Law in 2012. According to relevant tax regulations, Haisheng Software is exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses incurred in prior years. For the year ended 31 December 2016, the applicable CIT rate is 12.5% (2015: 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 of the Company during the year.

	Year ended 31 December	
	2016	2015
Profit/(loss) attributable to shareholders of the Company	**28,608**	(88,804)
Weighted average number of ordinary shares in issue *(thousand)*	**128,000**	128,000
Basic and diluted earnings/(loss) per share *(RMB)*	**0.22**	(0.69)

As the Company did not have any dilutive potential ordinary shares outstanding as at 31 December 2016 and 2015, diluted earnings per share is equal to basic earnings per share.

9 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
Trade receivables — third parties *(Note)*	**194,441**	243,349
Less: unearned financial income	**(2,463)**	—
	191,978	243,349
Notes receivable	**65,673**	47,698
Interest receivable	**378**	364
Other receivables — third parties	**718**	624
	258,747	292,035
Less:		
Allowance for impairment of trade receivables	**(87,260)**	(106,665)
Allowance for impairment of other receivables	**(212)**	(212)
	(87,472)	(106,877)
	171,275	185,158
Non-current portion	**15,922**	3,470
Current portion	**155,353**	181,688
	171,275	185,158

Note: 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 contracts. Included in trade receivables as at 31 December 2016 are such retained sums of approximately RMB66,112,000 (2015: RMB71,290,000) representing 34.0% (2015: 29.3%) 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 customers of the equipment).

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

	As at 31 December	
	2016	2015
Up to 1 year	**42,853**	24,812
1–2 years	**8,369**	119,936
2–3 years	**80,496**	54,177
Over 3 years	**62,723**	44,424
	194,441	243,349

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

	Year ended 31 December	
	2016	2015
Opening balance at 1 January	**106,877**	23,324
Additional allowance for impairment	**8,727**	97,956
Reversal of allowance for impairment	**(14,945)**	(13,470)
Receivables written off as uncollectible	**(13,187)**	(933)
Closing balance at 31 December	**87,472**	106,877

10 INVENTORIES

	As at 31 December 2016	2015
Raw materials	**13,721**	18,843
Work in progress	**29,535**	33,008
Finished goods	**2,668**	11,467
	45,924	63,318

For the year ended 31 December 2016, the cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB70,924,000 (2015: RMB44,172,000), which included the allowance for impairment of inventories of RMB4,379,000 (2015: RMB2,159,000).

11 TRADE AND OTHER PAYABLES

	As at 31 December 2016	2015
Notes payable *(Note (a))*	**23,008**	18,653
Trade payables *(Note (b))*	**12,953**	11,038
Quality warranty deposits from suppliers	**3,260**	3,940
Payables for property, plant and equipment	**2,937**	10,030
Employee benefits payable	**1,618**	1,905
Other taxes payable	**336**	357
Provision for quality warranty expenses	**157**	100
Others	**4,080**	2,136
	48,349	48,159

Notes:

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

(b) The aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December 2016	2015
Up to 1 year	**11,655**	9,001
1–2 years	**440**	661
2–3 years	**242**	—
Over 3 years	**616**	1,376
	12,953	11,038

12 DIVIDENDS

No dividend was paid in 2016. The dividend paid in 2015 was RMB19,200,000 (RMB0.15 per share).

A dividend in respect of the year ended 31 December 2016 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 9 June 2017. These financial statements have not reflected this dividend payable (2015: Nil).

	As at 31 December	
	2016	2015
Proposed final dividend of RMB0.05 (2015: Nil) per ordinary share	**6,400**	—

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2016, the economy in the People's Republic of China (the "PRC" or "China") grew steadily. Economic structure was optimized and development mode was transformed, resulting in the increase in both quality and efficiency of economic growth. In addition, as the demand for automobiles increased as a result of the government's stimulus policies, the tire market and aftermarket recovered steadily.

According to the data from China Association of Automobile Manufactures, China's automobile manufacturing and selling experienced relatively rapid increases in 2016, causing the total volume of manufacturing and selling to reach a record high. In 2016, automobile production and selling increased by approximately 14.5% year-on-year ("YoY") and 13.7% YoY respectively, being approximately 11.2% and 9.0% higher than the same period of 2015. Under the dual effect of improved macro-environment and increased tire demand, market demand for radial tire steel cord started to recover. As a radial tire steel cord equipment supplier under a favorable market environment, the Group has optimized and adjusted its management concepts and strengthened risk prevention and control, resulting in steady and good progress of the Group's business development.

During the Year, the Group's overall performance was more stable than in 2015. The Group recorded a revenue of approximately RMB112.3 million in 2016, representing an increase of approximately 64.7% YoY. As a result of the increase in product orders and a higher proportion of the brass electroplating wire production lines in the sales mix, the Group's gross profit margin increased by approximately 2.6% YoY and the gross profit increased to approximately RMB32.9 million accordingly (2015: approximately RMB18.2 million). In addition, with continuous effort, the Group reversed impairment provision for receivables of approximately RMB14.9 million by collecting some of the impaired trade receivables. As a result, the Group successfully recovered from a loss and turned to a profit of approximately RMB28.6 million. Overall, the Company recorded the profit attributable to shareholders of the Company of approximately RMB28.6 million driven by the aforesaid factors, as compared with the net loss attributable to shareholders of the Company of approximately RMB88.8 million for 2015.

Financial Review

Revenue

	Year ended 31 December					
	2016			2015		
	Unit(s) sold	***RMB'000***	***%***	*Unit(s) sold*	*RMB'000*	*%*
Brass electroplating wire production lines	**5**	**59,447**	**53.0**	2	23,571	34.6
Other production lines	**7**	**11,363**	**10.1**	2	1,856	2.7
Standalone machineries	**83**	**10,982**	**9.8**	173	25,718	37.7
Mould repairing equipment, component parts and accessories	**N/A**	**28,439**	**25.3**	N/A	15,590	22.9
Rental income	**N/A**	**2,053**	**1.8**	N/A	1,433	2.1
		112,284	**100.0**		68,168	100.0

Our revenue increased by approximately RMB44.1 million or approximately 64.7% to approximately RMB112.3 million for 2016 from approximately RMB68.2 million for 2015. The increase is mainly due to the recovery in downstream industry and growth in market demand.

Brass electroplating wire production lines. Revenue from sales of brass electroplating wire production lines increased by approximately 152.2% to approximately RMB59.4 million for 2016 from approximately RMB23.6 million for 2015. 5 sets of brass electroplating wire production lines were accepted by the customers in 2016 while 2 sets were accepted by the customers in 2015. Resulting from the growth of market demand, more brass electroplating wire production lines have been accepted by our customers after testing during 2016 according to their expansion plan.

Other production lines. Revenue from sales of other production lines increased by approximately 512.2% to approximately RMB11.4 million for 2016 from approximately RMB1.9 million for 2015. The increase was mainly due to an increase in the number of other production lines accepted by our customers after testing from 2 sets for 2015 to 7 sets for 2016.

Standalone machineries. Revenue from sales of standalone machineries decreased by approximately 57.3% to approximately RMB11.0 million for 2016 from approximately RMB25.7 million for 2015. The decrease was due to the decrease in sale quantity in the standalone machineries, with the number of standalone machineries being sold decreased from 173 sets in 2015 to 83 sets in 2016.

Mould repairing equipment, component parts, and accessories. Revenue from sales of mould repairing equipment, component parts, and accessories increased by approximately 82.4% to approximately RMB28.4 million for 2016 from approximately RMB15.6 million for 2015. The increase was primarily due to the increase in equipment modification services provided to customers.

Rental income. Revenue from rental income arose from the Group's investment properties, which was rented to third parties for 2016 and 2015. As more properties had been rented out during 2016, the rental income has increased.

Gross profit and gross profit margin

Our gross profit increased by approximately 80.8% from approximately RMB18.2 million for 2015 to approximately RMB32.9 million for 2016. Our overall gross profit margin increased from approximately 26.7% for 2015 to approximately 29.3% for 2016 due to a higher proportion of the brass electroplating wire production lines in the sales mix, with its relatively higher gross profit margin as compared to other products.

Other income

Our other income decreased by approximately 48.6% from approximately RMB3.7 million for 2015 to approximately RMB1.9 million for 2016, primarily due to less government subsidies received.

Selling expenses

Our selling expenses increased by approximately 16.2% from approximately RMB3.7 million for 2015 to approximately RMB4.3 million for 2016, primarily due to the increase of transportation expenses.

Administrative expenses

Our administrative expenses decreased from approximately RMB117.5 million for 2015 to approximately RMB19.9 million for 2016. This is primarily because there was a net reversal of allowance for impairment of receivables of approximately RMB6.2 million during 2016 resulting from collection of some impaired trade receivables after the continuous effort of the Group to collect the receivables while a net allowance for impairment of receivables amounting to approximately RMB84.5 million was made during 2015. Meanwhile, the staff remuneration expenses and research and development expenses have also decreased due to the Group's strict control over the cost expenditure.

Other gains — net

The Group recorded net other gains of approximately RMB3.7 million in 2016, compared with the net other gains of approximately RMB2.8 million in 2015. 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 RMB1.6 million in 2016, compared with the net finance income of approximately RMB4.6 million in 2015. The decrease in finance income was mainly due to the reduction in foreign exchange gain and bank interest income.

Income tax credit

The Group recorded a credit to income tax expense of approximately RMB12.7 million for 2016, compared with the credit to income tax expense of approximately RMB3.0 million for 2015. 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 20.1% from approximately RMB243.3 million at 31 December 2015 to approximately RMB194.4 million as at 31 December 2016. 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 gradual recovery in downstream industries. Meanwhile, the Group collected approximately RMB14.9 million impaired trade receivables during 2016, and the allowance for trade receivables decreased from approximately RMB106.7 million at the end of 2015 to approximately RMB87.3 million at the end of 2016.

Inventories

Our inventories decreased by approximately 27.5% from approximately RMB63.3 million at the end of 2015 to approximately RMB45.9 million at the end of 2016, mainly because more inventories had been consumed during 2016, and our tightening up of inventories control upon taking into account our anticipated production schedule.

Trade payables

Our trade payables increased by approximately 18.2% from approximately RMB11.0 million at the end of 2015 to approximately RMB13.0 million at the end of 2016, 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 2016, the total cash and bank balances of the Group were approximately RMB206.7 million (2015: approximately RMB182.9 million), comprising cash and cash equivalents of approximately RMB193.6 million (31 December 2015: approximately RMB169.8 million) and restricted cash of approximately RMB13.1 million (2015: approximately RMB13.1 million).

As at 31 December 2016, the current ratio of the Group was 6.0 (2015: 6.3). The decrease was mainly due to certain receivables being collected after 1 year based on the agreement with customers.

The gearing ratio of the Group (calculated as total borrowings divided by total equity) was zero (31 December 2015: zero).

The Group was in a strong net cash position as at 31 December 2016 and 2015. The Group has sufficient and readily available finance resources for general working capital requirement and foreseeable capital expenditure.

Borrowings

As at 31 December 2016, the Group had no borrowings (2015: Nil).

CAPITAL EXPENDITURES

In 2016, the Group's capital expenditures amounted to approximately RMB11.3 million (2015: approximately RMB27.1 million) which was mainly related to the construction of the new manufacturing facility located in Wuxi (the "New Wuxi Facility").

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 2016 were denominated in the respective Group companies' functional currencies.

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 Lisitng 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 temporarily idle raised proceeds, in the circumstance that the Company shall ensure that there will have no impacts on the projects construction of raised proceeds and the utilization of raised proceeds, the Company has proposed to utilize part of the temporarily idle raised proceeds to purchase wealth management products with high security, good liquidity and promised guarantee from financial institutions, in order to increase the capital revenue, improve the efficiency and effectiveness in the use of the Company's temporarily 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. The amount of purchasing wealth management products or the total amount of unexpired wealth management products held at any time shall be no more than RMB75 million. The duration of purchasing wealth management products from banks by the utilization of idle raised proceeds shall not be more than 12 months.

In view of the recent business development strategies and reasons set out above, the Board has resolved to temporarily allocate no more than RMB75 million out of the unutilized proceeds for investment in the wealth management products. Together with the income to be generated from the wealth management products, the Company will continue apply the net proceeds 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").

The above-mentioned change of use of proceeds was approved by the shareholders of the Company at the annual general meeting of the Company held on 7 June 2016.

During the Year, the Group used approximately HK$88.5 million, HK$9.5 million and HK$21 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 utilised a part of the proceeds for purchasing wealth management products, which amounted to approximately RMB30.0 million as at 31 December 2016. As at 31 December 2016, the unused proceeds of approximately HK$52.7 million were deposited in licensed banks in the PRC.

BUSINESS PROSPECTS

2017 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 during the Year. In 2017, domestic supply-side reform will gradually deepen. It is believed that automobile industry will continue to recover in 2017 after reaching a record high in 2016. In addition, the boom in photovoltaic industry also drove up electroplated brass wire demand. In these circumstances, Sunlit will face more opportunities. The management expected that in this coming financial year, the Group's business will continue to grow steadily and its scale will continue to expand. The Group is taking strategic guidance approach, which will strengthen technological development, and train technological management personnel and technological innovation personnel. In addition, the Group will actively explore overseas markets, stabilize and expand existing market share, in order 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 to achieve further breakthroughs at market maturity 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 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 2016, the Group employed a total of 132 full-time employees, including administration, finance, internal audit, research and development, technical application, quality control, manufacturing, procurement, sales and marketing staff (2015: 159). For the year ended 31 December 2016, the Group's total employee remuneration was approximately RMB15.3 million (2015: approximately RMB19.6 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 2016, the Group did not have any significant contingent liabilities (2015: Nil).

SIGNIFICANT INVESTMENTS

Save and except for the investment properties and wealth management products, 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 2016, the cash deposits in the amount of approximately RMB13.1 million (31 December 2015: 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 2016 or 31 December 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS

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 announcement, the Group had no future plans for material investments as at 31 December 2016.

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.

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

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and supervisors of our Company as set out in Appendix 10 to the Listing Rules. 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.

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.

DIVIDENDS

For the year ended 31 December 2016, 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, 9 June 2017 (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 Tuesday, 20 June 2017. 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. Detailed plan of distribution will be separately announced in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 10 May 2017 to Friday, 9 June 2017, 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, 9 June 2017 will be entitled to attend and vote at the AGM and class meetings of the Company. In order to be qualified to attend and vote at the AGM and class meetings of the Company, 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, 9 May 2017.

The register of members will be closed from Thursday, 15 June 2017 to Tuesday, 20 June 2017, 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 2016, 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, 14 June 2017.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 9 June 2017. 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 audited consolidated financial statements for the year ended 31 December 2016.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement of the Group's results for the year ended 31 December 2016 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 2016. 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 ended 31 December 2016 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.

CHANGE OF THE ADDRESS OF REGISTERED OFFICE

The Board hereby announces that, the address of the registered office of the Company has been changed to 1 Yanxin Road East, Huishan Economic Development Zone, Wuxi, Jiangsu Province, the PRC.

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

* *For identification purposes only*

Hong Kong, 29 March 2017

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.