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 2016

Financial Highlights	**Six months ended 30 June**		
	2016	2015	**Change**
Revenue (RMB'000)	**30,162**	45,201	-33.3%
Gross profit (RMB'000)	**7,547**	10,390	-27.4%
Profit/(loss) before income tax (RMB'000)	**6,708**	(77,436)	N/A
Profit/(loss) for the period (RMB'000)	**5,271**	(59,715)	N/A
Profit/(loss) attributable to shareholders of the Company (RMB'000)	**5,271**	(59,715)	N/A
Earnings/(loss) per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
– Basic and diluted	**0.04**	(0.47)	N/A

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of 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 2016.

* *For identification purpose only*

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

	Note	**Six months ended 30 June 2016**	Six months ended 30 June 2015
		Unaudited	Unaudited
Revenue	*3*	**30,162**	45,201
Cost of sales		**(22,615)**	(34,811)
Gross profit		**7,547**	10,390
Selling expenses		**(2,142)**	(1,906)
Administrative expenses		**(895)**	(94,025)
Other income	*5*	**253**	2,507
Other gains-net	*6*	**8**	2,456
Operating profit/(loss)		**4,771**	(80,578)
Finance income	*7*	**2,009**	3,399
Finance expense	*7*	**(72)**	(257)
Finance income-net	*7*	**1,937**	3,142
Profit before income tax		**6,708**	(77,436)
Income tax (expense)/credit	*8*	**(1,437)**	17,721
Profit/(loss) for the period attributable to shareholders of the Company		**5,271**	(59,715)
Earnings/(loss) per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
– Basic and diluted	*9*	**0.04**	(0.47)

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

	Six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Profit/(loss) for the period	**5,271**	(59,715)
Other comprehensive income	**–**	–
Total comprehensive income/(loss) for the period attributable to shareholders of the Company	**5,271**	(59,715)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	**30 June 2016**	31 December 2015
		Unaudited	Audited
ASSETS			
Non-current assets			
Land use rights		**25,594**	25,785
Property, plant and equipment		**113,475**	107,994
Investment properties		**21,585**	19,671
Intangible assets		**127**	200
Trade and other receivables	*10*	**28,385**	3,470
Deferred income tax assets		**8,589**	9,655
		197,755	166,775
Current assets			
Inventories	*11*	**70,116**	63,318
Prepaid income tax		**–**	19
Prepayments		**10,396**	9,084
Trade and other receivables	*10*	**143,135**	181,688
Restricted cash		**22,052**	13,056
Cash and cash equivalents		**198,110**	169,801
		443,809	436,966
Total assets		**641,564**	603,741
EQUITY			
Share capital		**128,000**	128,000
Share premium		**311,464**	311,464
Reserves		**55,854**	55,463
Retained earnings		**44,421**	39,541
Total equity		**539,739**	534,468

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

	Note	**30 June 2016**	31 December 2015
		Unaudited	Audited
LIABILITIES			
Current liabilities			
Trade and other payables	*12*	**53,836**	48,159
Advances from customers		**47,788**	21,114
Current income tax liabilities		**201**	–
		101,825	69,273
Non-current liabilities		**–**	–
Total liabilities		**101,825**	69,273
Total equity and liabilities		**641,564**	603,741

Notes:

(All amounts in RMB thousands unless otherwise stated)

1 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial period beginning on 1 January 2016. The adoption of these new and amended standards and interpretations does not have any significant impact on the Group's interim consolidated financial information.

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

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

Standards/ Amendments/Interpretation	Subject of amendment
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 16	Leases[3]
HKFRS 10,12 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
4 The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. In December 2015, the HKICPA Financial Reporting Standards Committee approved the deferral/removal of the effective date of the amendments. A new effective date of the amendments will be determined on a future date. 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.

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

3 REVENUE

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

The Group is principally engaged in the manufacturing and sale of a range of equipment for manufacturing steel wire products. Revenues from sales of goods for the six months ended 30 June 2016 and 2015 are as follows:

	Six months ended 30 June	
	2016	2015
Production lines		
– Brass electroplating wire production lines	**21,396**	12,179
– Other production lines	**4,094**	1,856
Standalone machines	**–**	25,402
Mould repairing equipment, components parts and accessories	**3,716**	5,191
Rental income	**956**	573
	30,162	45,201

The Group mainly operates its business within mainland China. For the six months ended 30 June 2016 and 2015, the geographical information on the total revenue are as follows:

	Six months ended 30 June	
	2016	2015
Revenue		
– Mainland China	**17,364**	43,666
– Others	**12,798**	1,535
	30,162	45,201

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 2016 or 30 June 2015:

	Six months ended 30 June	
	2016	2015
Company A	**12,798**	–
Company B	**11,419**	314
Company C	**3,271**	12,179
Company D	**809**	20,360
Company E	**222**	3,434
Company F	**54**	5,118
	28,573	41,405

4 DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2016	2015
Depreciation and amortisation	**4,401**	3,727

5 OTHER INCOME

	Six months ended 30 June	
	2016	2015
Value-added tax ("VAT") refunds *(Note (a))*	**249**	497
Government subsidies *(Note (b))*	**4**	2,010
	253	2,507

Notes:

(a) According to the relevant tax regulations, the sales of self-developed software products of a direct wholly-owned subsidiary, 無錫海盛軟件科技有限公司 (Wuxi Haisheng Software Technology Company Limited*) ("Haisheng Software"), is entitled to VAT refunds from December 2011 until October 2016.

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

* *for identification purpose only*

6 OTHER GAINS – NET

	Six months ended 30 June	
	2016	2015
Foreign exchange (losses)/gains	**(41)**	43
Compensation gains	**49**	–
Gains on disposal of plant and equipment and land used right, net	**–**	2,413
	8	2,456

7 FINANCE INCOME – NET

	Six months ended 30 June	
	2016	2015
Finance expense:		
– Exchange losses	**(72)**	–
– Interest expense of bank borrowings	**–**	(429)
Less: amounts capitalised on qualifying assets	**–**	172
	(72)	(257)
Finance income:		
– Bank interest income	**913**	1,145
– Interest income on wealth management products	**1,096**	–
– Exchange gains	**–**	2,254
	2,009	3,399
Finance income – net	**1,937**	3,142

8 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2016	2015
Current income tax – PRC corporate income tax	**371**	737
Deferred income tax	**1,066**	(18,458)
Income tax expense/(credit)	**1,437**	(17,721)

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.

Haisheng Software is 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 six months ended 30 June 2016, the applicable CIT rate is 12.5% (six months ended 30 June 2015: 12.5%).

9 EARNING PER SHARE

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

	Six months ended 30 June	
	2016	2015
Profit/(loss) attributable to shareholders of the Company (RMB'000)	**5,271**	(59,715)
Weighted average number of ordinary shares in issue (thousand)	**128,000**	128,000
Basic and diluted earnings/(loss) per share (RMB/share)	**0.04**	(0.47)

As the Company did not have any dilutive potential ordinary shares outstanding as at 30 June 2016 and 2015, diluted earnings per share is equal to basic earnings per share.

10 TRADE AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
Trade receivables – third parties *(Note (a))*	**206,649**	243,349
Less: allowance for impairment of trade receivables	**(89,699)**	(106,665)
Trade receivables – net	**116,950**	136,684
Notes receivable	**53,347**	47,698
Interest receivable	**558**	364
Other receivables – third parties	**877**	624
Less: allowance for impairment of other receivables	**(212)**	(212)
	171,520	185,158
Less: non-current portion – trade receivables	**(28,385)**	(3,470)
Current portion	**143,135**	181,688

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 2016 are such retained sums of approximately RMB64,299,000 (31 December 2015: RMB71,290,000) representing approximately 31.1% (31 December 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 customer of the equipment).

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

	30 June 2016	31 December 2015
Up to 1 year	**16,519**	24,812
1-2 years	**82,502**	119,936
2-3 years	**59,790**	54,177
Over 3 years	**47,838**	44,424
	206,649	243,349

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

	Six months ended 30 June	
	2016	2015
At the beginning of period	**106,877**	23,324
Additional allowance for impairment	**–**	75,137
Reversal of allowance for impairment	**(13,245)**	–
Receivables written off as uncollectible	**(3,721)**	(840)
At the end of period	**89,911**	97,621

11 INVENTORIES

	30 June 2016	31 December 2015
Raw materials	**19,895**	18,843
Work in progress	**36,234**	33,008
Finished goods	**13,987**	11,467
	70,116	63,318

12 TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
Notes payable	**28,853**	18,653
Trade payables *(Note (a))*	**12,821**	11,038
Payables for property, plant and equipment	**4,143**	10,030
Quality warranty deposits from suppliers	**3,045**	3,940
Employee benefits payable	**1,622**	1,905
Other taxes payable	**764**	357
Provision for quality warranty expenses	**92**	100
Others	**2,496**	2,136
	53,836	48,159

Notes:

(a) The ageing analysis of the trade payables is as follows:

	30 June 2016	31 December 2015
Up to 1 year	**11,469**	9,001
1-2 years	**127**	661
2-3 years	**209**	–
Over 3 years	**1,016**	1,376
	12,821	11,038

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is an integrated production solution provider of steel wire products in the PRC. The Group is principally engaged in the research and development, design, manufacturing, equipment supply, installation, testing, repair and maintenance of production lines for manufacturing steel wire products pursuant to customers' specific production requirements. Our main product is the brass electroplating wire production lines.

During the six months ended 30 June 2016, the global economy presented a moderately slow growth environment, with persisting overcapacity problem, which made investment in fixed assets failing to rise rapidly. Meanwhile, foreign anti-dumping policy on tires resulted in a decrease of the production of steel meridian tire sector. Steel cord is the basic material of steel meridian tire sector, and its demand is closely linked with that for downstream tires. Furthermore, market concentration was higher than that in the past with more intense competition, making both the average prices of brass electroplating wire production line equipment and ancillary equipment going down. The Group, however, placed a strong emphasis on continuous research and development and constantly improving its products, controlling costs and improving operational efficiency. Due to the market environment and industrial factors, the turnover of the Group decreased as compared to the corresponding period of last year. Meanwhile, the Group has paid more attention to monitor the risk in trade receivables collection and adopted more stringent collection measurement over the customers, resulting in the collection of approximately RMB13.2 million impaired trade receivables by the Group during the six months ended 30 June 2016. As a result, the Group recorded a profit of approximately RMB5.3 million and a revenue of approximately RMB30.2 million during the six months ended 30 June 2016.

Revenue

	For the six months ended 30 June					
	2016			2015		
	Unit(s) sold	***RMB'000***	***%***	*Unit(s) sold*	*RMB'000*	*%*
Brass electroplating wire production lines	**2**	**21,396**	**70.9**	1	12,179	26.9
Other production lines	**4**	**4,094**	**13.6**	2	1,856	4.1
Standalone machines	**–**	**–**	**–**	172	25,402	56.2
Mould repairing equipment, component parts and accessories	**N/A**	**3,716**	**12.3**	N/A	5,191	11.5
Rental income	**N/A**	**956**	**3.2**	N/A	573	1.3
		30,162	**100.0**		45,201	100.0

Our revenue decreased by approximately RMB15.0 million, or approximately 33.3%, to approximately RMB30.2 million for the six months ended 30 June 2016 from approximately RMB45.2 million in the corresponding period in 2015. The decrease in revenue are mainly due to: 1) though the downstream customers have gradually stopped declining after last year's deep restructuring in the industry, owing to the impact of the PRC's economic continuous slowdown, the downstream customers could not recover their original expansion plans rapidly; 2) some delivered products' acceptance checking has been delayed since a customer's factory was not ready.

Brass electroplating wire production lines. Revenue from sales of brass electroplating wire production lines increased by approximately 75.4% to approximately RMB21.4 million for the six months ended 30 June 2016 from RMB12.2 million in the corresponding period in 2015. Two sets of brass electroplating wire production lines were accepted by the customers for the six months ended 30 June 2016 while only one set was accepted by the customer in the corresponding period in 2015. The Group has actively explored overseas and domestic market and one of the production lines sold during this period was attributed to overseas sales.

Other production lines. Revenue from sales of other production lines increased by approximately 115.8% to RMB4.1 million for the six months ended 30 June 2016 from RMB1.9 million in the corresponding period in 2015. As the downstream industry has been recovered gradually, more of the other production lines were accepted by the customers. For the six months ended 30 June 2016, four sets of other production lines were accepted by the customers while only two sets were accepted by the customers in the corresponding period in 2015.

Standalone machines. No revenue was generated from standalone machines for the six months ended 30 June 2016 while the revenue from standalone machines was approximately RMB25.4 million in the corresponding period in 2015. 81 sets of standalone machine with a total contractual amount of RMB12.4 million had been delivered to customers during the period but acceptance checking was delayed since the factory was not ready by 30 June 2016.

Mould repairing equipment, component parts, and accessories. Revenue from sales of mould repairing equipment, component parts, and accessories decreased by approximately 28.8% to approximately RMB3.7 million for the six months ended 30 June 2016 from RMB5.2 million in the corresponding period in 2015. The decrease was caused by the decrease in the sales of component parts.

Rental income. Revenue from rental income was derived from its investment properties, which were rented to a third party for the six months ended 30 June 2016 and the corresponding period in 2015. As more properties had been rented out during the six months ended 30 June 2016, the rental income has increased.

Gross profit and gross profit margin

Gross profit decreased by approximately 27.4% to approximately RMB7.5 million for the six months ended 30 June 2016 from approximately RMB10.4 million in the corresponding period in 2015. The overall gross profit margin increased to approximately 25.0% for the six months ended 30 June 2016 from approximately 23.0% in the corresponding period in 2015 due to different sales mix. For the six months ended 30 June 2016, the proportion of sales of the brass electroplating wires with a relatively higher gross profit margin increased as compared to the corresponding period in 2015, while there were no sales of standalone machines with a relatively lower gross profit margin during this period. Meanwhile, in view of the difficult situation of downstream industry, we reduced the selling price of our products to maintain the relationship with our customers and increase the competitiveness, which partially offset the increase in gross profit margin from the sales mix.

Other income

Other income mainly represented the value-added tax refunds and government subsidies received by the Group. Our other income decreased by approximately 89.9% to approximately RMB253,000 for the six months ended 30 June 2016 from approximately RMB2.5 million in the corresponding period in 2015, primarily due to the reduction in government subsidies.

Selling expenses

Our selling expenses increased by approximately 10.5% to approximately RMB2.1 million for the six months ended 30 June 2016 from approximately RMB1.9 million in the corresponding period in 2015, primarily due to an increase in transportation expenses.

Administrative expenses

Our administrative expenses decreased by approximately 99.0% from approximately RMB94.0 million as at 30 June 2015 to approximately RMB0.9 million. This is primarily because there was a net reversal of allowance for impairment of receivables of approximately RMB13.2 million resulting from collection of some impaired trade receivables after the continuous effort of the Group to collect the receivables. 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 RMB8,000 for the six months ended 30 June 2016, compared with the net other gains of approximately RMB2.5 million in the corresponding period in 2015, primarily due to a gain on disposal of land use right, plant and equipment in the amount of approximately RMB2.4 million in the corresponding period in 2015, while no such event occurred during the six months ended 30 June 2016.

Finance income – net

The Group recorded a net finance income of approximately RMB1.9 million for the six months ended 30 June 2016, compared with the net finance income of approximately RMB3.1 million in the corresponding period in 2015. The decrease is mainly caused by the absence of a foreign currency exchange gain of an amount of approximately RMB2.3 million during this period which such amount was generated from the settlement of exchange of the proceeds from the Listing in the corresponding period in 2015, which was partially offset by the interest income amounted to approximately RMB1.1 million on wealth management products generated during the six months ended 30 June 2016.

Income tax expense

The Group recorded an income tax expense of approximately RMB1.4 million for the six months ended 30 June 2016, compared with a credit to income tax expense of approximately RMB17.7 million in the corresponding period in 2015. The effective tax rate has decreased to 20.9% for the six months ended 30 June 2016 from 22.9% in the corresponding period in 2015.

Trade receivables

Our gross trade receivables decreased by 15.1% from approximately RMB243.3 million at 31 December 2015 to approximately RMB206.6 million as at 30 June 2016. The decrease was primarily due to (i) slow recovery in the industry during this period resulting in delay in completing the acceptance of orders on hand and recognition of revenue as well as the decrease in additional trade receivables arising from sales; and (ii) 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, so that the Group collected RMB13.2 million impaired trade receivables during the six months ended 30 June 2016. The allowance for trade receivables decreased from approximately RMB106.7 million at the end of 2015 to approximately RMB89.7 million as at 30 June 2016.

Inventories

Our inventories increased by approximately 10.7% from approximately RMB63.3 million as at 31 December 2015 to approximately RMB70.1 million as at 30 June 2016 as a result of an increase in orders on hand at the period end.

Trade payables

Our trade payables increased by approximately 16.4% from approximately RMB11.0 million as at 31 December 2015 to approximately RMB12.8 million as at 30 June 2016, primarily due to an increase in our purchase of raw materials near the period end, which was in line with an increase in the balance of raw materials at 30 June 2016.

Liquidity and financial resources

Cash position and fund available

During the six months ended 30 June 2016, the Group maintained a healthy liquidity position, with working capital being financed by our operating cash flows.

As at 30 June 2016, the total cash and bank balances of the Group were approximately RMB220.2 million (31 December 2015: approximately RMB182.9 million), comprising cash and cash equivalents of approximately RMB198.1 million (31 December 2015: approximately RMB169.8 million) and restricted cash of approximately RMB22.1 million (31 December 2015: approximately RMB13.1 million).

As at 30 June 2016, the current ratio of the Group was 4.4 (31 December 2015: 6.3). During this period, the current ratio decreased primarily due to certain receivables to be collected after 1 year based on the agreement with customers.

As at 30 June 2016, as the Group had no borrowings, the gearing ratio of the Group (calculated as total borrowings divided total equity) was zero (31 December 2015: zero).

SIGNIFICANT INVESTMENTS

Save and except for the investment properties and wealth management products, the Group had no significant investments held during the six months ended 30 June 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2016, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

CHARGE ON GROUP ASSETS

As at 30 June 2016, the cash deposits in the amount of approximately RMB22.1 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 30 June 2016 or 31 December 2015.

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.

The Group had no future plans for material investments and expected sources of funding as at 30 June 2016.

Capital expenditures

During the six months ended 30 June 2016, the Group's capital expenditures amounted to RMB11.5 million (six months ended 30 June 2015: RMB21.8 million) which was mainly related to the construction of the new manufacturing facility and new research and development centre located in Wuxi, Jiangsu of the PRC (the "New Wuxi Facility" and "New Research & Development Centre").

Capital commitments

As at 30 June 2016, the Group's capital commitments in relation to the construction of New Wuxi Facility and New Research & Development Centre amounted to approximately RMB0.2 million (31 December 2015: approximately RMB3.2 million).

Capital Structure

There has been no change in the capital structure of the Group during the six months ended 30 June 2016. 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 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 30 June 2016 were denominated in the respective Group companies' functional currencies.

USE OF NET PROCEEDS FROM THE IPO

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

With a view to improving efficiency in the use of the Company's 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 of the Company 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 RMB75.0 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 resolved to temporarily allocate no more than RMB75.0 million out of the unutilized net proceeds from the Listing for investment in the wealth management products. Together with the income to be generated from the wealth management products, the Company will continue applying the net proceeds for the construction of the New Wuxi Facility and 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.

Up to 30 June 2016, the Group has used approximately HK$77.2 million, HK$8.2 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. As at 30 June 2016, the unused proceeds of approximately HK$103.1 million were deposited in licensed banks in the PRC.

BUSINESS PROSPECTS

In the second half of 2016, the Group will have both challenges and opportunities. Facing the changes in domestic macroeconomic circumstances, policy adjustment of monetarism, environmental protection, production capacity and other aspects, steel cord markets competition will continue to be fierce. Price trend of iron ore, coke and other raw materials will also have a direct impact on changes in the cost of steel, which will bring challenges to the Group. However, with accumulated experience in the industry, we will continue to seize the opportunity to actively explore the domestic market, stabilize and expand the existing market share and maintain our ability for sustainable growth and profitability. Besides, the Group will enhance technology development, train talents on technology management and technology innovation. The Group will not only strive to maintain its leading position in the domestic market, but will also work towards the goal of becoming a leading manufacturer of steel wire products internationally, so as to create maximum value for shareholders.

EMPLOYEE AND REMUNERATION INFORMATION

As at 30 June 2016, the Group employed a total of 142 full-time employees, including administration, finance, internal audit, research and development, technical application, quality control, manufacturing, procurement, sales and marketing staff. For the six months ended 30 June 2016, the Group's total employee remuneration was approximately RMB8.5 million, representing approximately 28.2% of the Group's total revenue.

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 the customers.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: Nil).

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

For the six months ended 30 June 2016, the Company has 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").

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS ("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 set out in Appendix 10 to the Listing Rules. Upon making specific enquiries of all of the Directors and supervisors of 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 2016.

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 for the six months ended 30 June 2016.

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016. (2015: Nil)

AUDIT COMMITTEE

The audit committee of the Board has held meetings to discuss the risk management, internal controls and financial reporting matters of the Company, including the review of the interim results and the interim condensed consolidated financial information of the Group for the six months ended 30 June 2016.

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 interim results announcement.

IMPORTANT EVENTS AFTER REPORTING PERIOD

No important events affecting the Group have occurred since the end of the reporting period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results 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 2016 containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of our Company and available on the above websites.

By order of the Board
Wuxi Sunlit Science and Technology Company Limited
Zhang Degang
Chairman

Hong Kong, 18 August 2016

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