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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 2021

| Financial Highlights | For the year ended | | Change |
|---|---------------------|-------|--------|
| | 31 December 2021 | 2020 | |
| Revenue (<i>RMB million</i>) | 167.0 | 121.6 | 37.3% |
| Gross profit (<i>RMB million</i>) | 35.6 | 30.3 | 17.7% |
| Profit before income tax (<i>RMB million</i>) | 4.2 | 2.9 | 45.2% |
| Profit for the year (<i>RMB million</i>) | 4.7 | 2.4 | 94.7% |
| Profit attributable to equity shareholders of the Company (<i>RMB million</i>) | 4.7 | 2.4 | 94.7% |
| Basic and diluted earnings per share (<i>RMB cents</i>) | 3.68 | 1.89 | 94.7% |

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 2021 (the “**Year**”).

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

| | | Year ended 31 December | |
|--|------|------------------------|---------------------|
| | Note | 2021 | 2020 |
| Revenue | 3 | 167,045 | 121,620 |
| Cost of sales | 4 | <u>(131,420)</u> | <u>(91,361)</u> |
| Gross profit | | 35,625 | 30,259 |
| Selling expenses | 4 | (2,558) | (2,245) |
| Administrative expenses | 4 | (27,723) | (25,511) |
| Net (impairment losses)/reversal of impairment losses on financial assets | | (3,416) | 872 |
| Other income | 5 | 941 | 773 |
| Other losses — net | 6 | <u>(1,337)</u> | <u>(4,613)</u> |
| Operating profit/(loss) | | 1,532 | (465) |
| Finance income | 7 | <u>2,641</u> | <u>3,339</u> |
| Profit before income tax | | 4,173 | 2,874 |
| Income tax credit/(expense) | 8 | <u>538</u> | <u>(455)</u> |
| Profit for the year attributable to equity shareholders of the Company | | <u>4,711</u> | <u>2,419</u> |
| Earnings per share attributable to equity shareholders of the Company for the year (expressed in RMB cents) | | | |
| —Basic and diluted earnings per share | 9 | <u>3.68</u> | <u>1.89</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

| | Year ended 31 December | |
|---|------------------------|---------------------|
| | 2021 | 2020 |
| Profit for the year | 4,711 | 2,419 |
| Other comprehensive income | <u>—</u> | <u>—</u> |
| Total comprehensive income for the year attributable to equity shareholders of the Company | <u>4,711</u> | <u>2,419</u> |

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

| | | As at 31 December | |
|----------------------------------|------|-----------------------|-----------------------|
| | Note | 2021 | 2020 |
| ASSETS | | | |
| Non-current assets | | | |
| Right-of-use assets | | 17,957 | 18,465 |
| Property, plant and equipment | | 73,340 | 78,491 |
| Investment properties | | 37,507 | 40,235 |
| Intangible assets | | 32 | 55 |
| Trade and other receivables | 10 | 1,642 | 1,905 |
| Deferred income tax assets — net | | 13,813 | 12,829 |
| | | <u>144,291</u> | <u>151,980</u> |
| Current assets | | | |
| Inventories | 11 | 108,968 | 113,547 |
| Properties held for sale | 12 | 46,495 | 49,482 |
| Prepayments | | 3,936 | 14,005 |
| Trade and other receivables | 10 | 258,887 | 203,319 |
| Derivative financial instruments | | 227 | 121 |
| Restricted cash | | 59,875 | 48,402 |
| Time deposits | | 76,459 | 113,186 |
| Cash and cash equivalents | | 33,817 | 53,863 |
| | | <u>588,664</u> | <u>595,925</u> |
| Total assets | | <u><u>732,955</u></u> | <u><u>747,905</u></u> |
| EQUITY | | | |
| Share capital | | 128,000 | 128,000 |
| Share premium | | 311,464 | 311,464 |
| Reserves | | 66,599 | 66,772 |
| Retained earnings | | 125,948 | 127,464 |
| Total equity | | <u><u>632,011</u></u> | <u><u>633,700</u></u> |

| | <i>Note</i> | As at 31 December | |
|-------------------------------------|-------------|--------------------------|----------------|
| | | 2021 | 2020 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 58,740 | 73,439 |
| Contract liabilities | | 42,204 | 40,766 |
| | | <u>100,944</u> | <u>114,205</u> |
| Total liabilities | | <u>100,944</u> | <u>114,205</u> |
| Total equity and liabilities | | <u>732,955</u> | <u>747,905</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION OF THE GROUP

Wuxi Sunlit Science and Technology Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in the manufacturing and sale of a range of equipment for steel wire production lines.

The Company was incorporated in the People’s Republic of China (the “**PRC**”) as a limited liability company on 21 March 2006. The Company was converted into a joint stock company with limited liabilities under relevant PRC laws and regulations on 24 July 2012. The address of the Company’s registered office is 1 Yanxin Road East, Huishan Economic Development Zone, Wuxi, Jiangsu Province, PRC.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 November 2014.

These consolidated financial statements are presented in Renminbi thousands (RMB’000), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 25 March 2022.

2 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, except for financial assets at fair value through profit or loss and derivative financial instruments, 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 standards and amendments to standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

| Standards/Amendments/ Interpretation | Subject |
|---|--|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform (Phase 2) |

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following new standards and amendments and interpretation to standards have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted by the Group:

| Standards/Amendments/ Interpretation | Subject | Effective for annual years beginning on or after |
|--|---|---|
| Amendments to HKFRS 3 | Business Combinations reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before intended use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract | 1 January 2022 |
| Revised Accounting Guideline 5 | Merger Accounting for Common Control Combinations | 1 January 2022 |
| Annual Improvements | Annual Improvements to HKFRS Standards 2018–2020 Cycle | 1 January 2022 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| HKFRS 17 | Insurance Contract | 1 January 2023 |
| HKAS 1 and HKFRS Practice Statement 2 (Amendments) | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | 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. According to the preliminary assessment made by the directors of the Group, it is expected that the above new standards and amendments and interpretations to standards will not have a significant impact on the Group's operating results or financial position when they become effective.

3 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 and leasing. Revenue from sales of goods and rental income for the years ended 31 December 2021 and 2020 are as follows:

| | Year ended 31 December | |
|---|-------------------------------|-------------|
| | 2021 | 2020 |
| Sales of production lines | | |
| — Brass electroplating wire production lines | 35,398 | 50,053 |
| — Other production lines | 11,655 | — |
| Sales of standalone machines | 100,716 | 51,922 |
| Sales of other mould repairing equipment, component parts and accessories | 12,264 | 11,857 |
| Rental income | 5,806 | 4,695 |
| Trading income | 1,206 | 3,093 |
| | 167,045 | 121,620 |
| Timing of revenue recognition | | |
| — Over time | 5,806 | 4,695 |
| — At a point in time | 161,239 | 116,925 |
| | 167,045 | 121,620 |

For the years ended 31 December 2021 and 2020, the geographical information on the total revenue is as follows:

| | Year ended 31 December | |
|------------------|-------------------------------|-------------|
| | 2021 | 2020 |
| Revenue | | |
| — Mainland China | 165,416 | 103,103 |
| — Others | 1,629 | 18,517 |
| | 167,045 | 121,620 |

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 | |
|-----------|------------------------|------------------|
| | 2021 | 2020 |
| Company A | 81,869 | 18,015 |
| Company B | 38,598 | 61,220 |
| Company C | 21,136 | N/A ¹ |

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

4 EXPENSES BY NATURE

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2021 | 2020 |
| Changes in inventories of finished goods and work in progress | (8,150) | (9,273) |
| Raw materials used | 117,041 | 87,578 |
| Employee benefit expenses | 20,231 | 15,940 |
| Depreciation and amortisation | | |
| — Land use rights | 508 | 543 |
| — Property, plant and equipment | 6,861 | 6,562 |
| — Investment properties | 2,728 | 2,454 |
| — Intangible assets | 23 | 23 |
| Outsourced installation fee and transportation expenses | 5,922 | 3,770 |
| Other tax charges | 3,285 | 2,963 |
| Professional fees | 3,203 | 1,681 |
| Auditor's remuneration | | |
| — Audit services | 1,396 | 1,396 |
| Entertainment expenses | 957 | 1,115 |
| Office expenses | 893 | 1,165 |
| Travelling expenses | 1,304 | 801 |
| Allowance for impairment of properties held for sale | 2,668 | — |
| Allowance for impairment of inventories | 919 | 902 |
| Other expenses | 1,912 | 1,497 |
| | <hr/> | <hr/> |
| Total cost of sales, selling expenses and administrative expenses | 161,701 | 119,117 |
| | <hr/> <hr/> | <hr/> <hr/> |

5 OTHER INCOME

| | Year ended 31 December | |
|---|------------------------|------------|
| | 2021 | 2020 |
| Government subsidies (<i>note (a)</i>) | 655 | 449 |
| Value-added tax (“VAT”) refunds (<i>note (b)</i>) | 286 | 324 |
| | <u>941</u> | <u>773</u> |

Notes:

- (a) Government subsidies mainly represented subsidies for the Group’s application of new technology and contribution of stabling staff employment.
- (b) According to the relevant tax regulations, the sale of self-developed software products of a wholly owned subsidiary, Wuxi Haisheng Software Technology Co., Ltd. (“**Haisheng Software**”), was entitled to VAT refunds until March 2022.

6 OTHER LOSSES — NET

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2021 | 2020 |
| Foreign exchange losses | (2,451) | (7,242) |
| Fair value gains on financial assets at FVPL | 624 | 2,368 |
| Fair value gains on derivative financial instruments (<i>note(a)</i>) | 306 | 121 |
| Gains on disposal of property, plant and equipment | — | 2 |
| Others | 184 | 138 |
| | <u>(1,337)</u> | <u>(4,613)</u> |

Note:

- (a) The gains was primary attributable to the fair value change of certain forward foreign exchange contracts. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2021 were USD4,877,000, equivalent to approximately RMB31,091,000.

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2020 were USD2,773,000, equivalent to approximately RMB18,094,000.

7 FINANCE INCOME

| | Year ended 31 December | |
|---|------------------------|--------------|
| | 2021 | 2020 |
| Bank interest income | 2,545 | 3,242 |
| Amortisation of unearned financial income | 96 | 97 |
| | <u>2,641</u> | <u>3,339</u> |

8 INCOME TAX (CREDIT)/EXPENSE

| | Year ended 31 December | |
|---|------------------------|------------|
| | 2021 | 2020 |
| Current income tax — PRC corporate income tax | 446 | 307 |
| Deferred income tax | (984) | 148 |
| | <u>(538)</u> | <u>455</u> |

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 Company’s applicable CIT rate is 25%. Under the relevant regulations of the New CIT Law, the Company was qualified as High/New Tech Enterprise, and applied a reduced CIT rate of 15% for the year ended 31 December 2021 (2020: 15%).

Wuxi Haisheng Software Technology Co., Ltd. (“**Haisheng Software**”) was qualified as the Small and Micro Enterprise, the taxable profit less than RMB1 million applied a reduced CIT rate of 5%, the taxable profit between RMB1 million and RMB3 million applied a reduced CIT rate of 10% for the years ended 31 December 2021 and 2020.

The other subsidiary of the company applied a CIT rate of 25% for the year ended 31 December 2021 (2020: 25%).

9 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 during the year.

| | Year ended 31 December | |
|--|------------------------|--------------------|
| | 2021 | 2020 |
| Profit attributable to equity shareholders of the Company (RMB'000) | 4,711 | 2,419 |
| Weighted average number of ordinary shares in issue (thousand) | <u>128,000</u> | <u>128,000</u> |
| Basic and diluted earnings per share (RMB cents) | <u><u>3.68</u></u> | <u><u>1.89</u></u> |

As the Company did not have any dilutive potential ordinary shares outstanding as at 31 December 2021 and 2020, diluted earnings per share is equal to basic earnings per share.

10 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|-----------------------|-----------------------|
| | 2021 | 2020 |
| Trade receivables | | |
| Accounts receivable (note (a)) | 220,159 | 190,569 |
| Less: allowance for impairment of accounts receivable | <u>(49,829)</u> | <u>(48,970)</u> |
| Accounts receivable — net | <u>170,330</u> | <u>141,599</u> |
| Commercial acceptance notes (note (b)) | 40,053 | 12,612 |
| Less: allowance for impairment of commercial notes | <u>(1,561)</u> | <u>(476)</u> |
| Commercial acceptance notes — net (note (b)) | 38,492 | 12,136 |
| Bank acceptance notes (note (b)) | <u>47,652</u> | <u>46,097</u> |
| Trade receivables — net | <u>256,474</u> | <u>199,832</u> |
| Other receivables | | |
| Other receivables | 3,650 | 4,578 |
| Less: unearned financial income | (312) | (408) |
| Less: allowance for impairment of other receivables | <u>(476)</u> | <u>(593)</u> |
| Other receivables — net | <u>2,862</u> | <u>3,577</u> |
| Interest receivable | 817 | 1,134 |
| Contract assets | <u>376</u> | <u>681</u> |
| | <u><u>260,529</u></u> | <u><u>205,224</u></u> |
| Non-current portion | 1,642 | 1,905 |
| Current portion | <u>258,887</u> | <u>203,319</u> |
| | <u><u>260,529</u></u> | <u><u>205,224</u></u> |

Notes:

- (a) For sale of production lines, standalone machines and equipment, apart from a portion of the contract sum retained by customers to cover the Group's product quality warranty, the Group grants less than 180 days credit terms to customers in the sales contract. Included in accounts receivable as at 31 December 2021 are such retained sums of approximately RMB51,617,000(2020: RMB46,602,000) representing 23.4% (2020: 24.5%) of accounts receivable. These are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the equipment).

For sale of components parts and accessories, the Group grants 30 to 90 days credit terms to certain customers in sales contract.

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

As at 31 December 2021, notes receivables of RMB6,320,000 were pledged as security for the Group's notes payable. (As at 31 December 2020 : nil).

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

| | As at 31 December | |
|---------------|--------------------------|----------------|
| | 2021 | 2020 |
| Within 1 year | 104,184 | 98,148 |
| 1-2 years | 49,819 | 35,793 |
| 2-3 years | 28,179 | 15,759 |
| Over 3 years | 37,977 | 40,869 |
| | <u>220,159</u> | <u>190,569</u> |

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

| | Year ended 31 December | |
|---|-------------------------------|---------------|
| | 2021 | 2020 |
| Opening balance as at 1 January | <u>50,039</u> | <u>50,911</u> |
| Net impairment losses | 3,465 | 68 |
| Reversal of impairment losses for individual assessment | (49) | (940) |
| Receivables written off as uncollectible | <u>(1,589)</u> | <u>—</u> |
| Closing balance at 31 December | <u>51,866</u> | <u>50,039</u> |

11 INVENTORIES

| | As at 31 December | |
|--------------------------|-------------------|----------------|
| | 2021 | 2020 |
| Raw materials | 25,846 | 37,665 |
| Work in progress | 60,532 | 36,094 |
| Finished goods | 27,095 | 44,298 |
| | <u>113,473</u> | <u>118,057</u> |
| Cost | 113,473 | 118,057 |
| Allowance for impairment | (4,505) | (4,510) |
| | <u>108,968</u> | <u>113,547</u> |

For the year ended 31 December 2021, the cost of inventories recognised as expense and included in “Cost of sales” amounted to approximately RMB109,810,000 (2020:RMB79,207,000), which included the allowance for impairment of inventories of RMB919,000 (2020:RMB902,000) and reversal of impairment of RMB924,000 (2020: RMB1,033,000) as the Group sold the relevant goods.

12 PROPERTIES HELD FOR SALE

| | Year ended 31 December | |
|---------------------------------------|------------------------|---------------|
| | 2021 | 2020 |
| Opening balance at 1 January | 49,482 | 57,254 |
| Disposals | (319) | (7,772) |
| Allowance for impairment | (2,668) | — |
| | <u>46,495</u> | <u>49,482</u> |
| Closing balance at 31 December | <u>46,495</u> | <u>49,482</u> |
| At 31 December | | |
| Cost | 59,123 | 59,515 |
| Allowance for impairment | (12,628) | (10,033) |
| | <u>46,495</u> | <u>49,482</u> |
| Net book amount | <u>46,495</u> | <u>49,482</u> |

13 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|--|-------------------|---------------|
| | 2021 | 2020 |
| Trade payables (<i>note (a)</i>) | 21,528 | 38,406 |
| Notes payable (<i>note (b)</i>) | 26,330 | 26,038 |
| Other taxes payables | 3,960 | 920 |
| Quality warranty deposits from suppliers | 2,463 | 2,433 |
| Employee benefits payables | 2,267 | 2,147 |
| Provision for quality warranty expenses | 240 | 157 |
| Payables for property, plant and equipment | 16 | 13 |
| Others | 1,936 | 3,325 |
| | <u>58,740</u> | <u>73,439</u> |

Notes:

(a) Aging analysis of trade payables is as follows:

| | As at 31 December | |
|---------------|-------------------|---------------|
| | 2021 | 2020 |
| Within 1 year | 21,206 | 38,309 |
| 1–2 years | 225 | — |
| 2–3 years | — | — |
| Over 3 years | 97 | 97 |
| | <u>21,528</u> | <u>38,406</u> |

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

14 DIVIDENDS

A final dividend in respect of the year ended 31 December 2020 of RMB0.05 per share, amounting to a total dividend of RMB6,400,000, has been declared and paid during the year ended 31 December 2021.

No dividend of the year ended 31 December 2021 has been proposed by the Board of Directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, the outbreak of the novel coronavirus disease pandemic (“**COVID-19**”) continued to cause a serious impact to the automobile industry. Cities in the PRC have taken various emergency public health measures and other actions to control the spread of COVID-19. Considering the severe impact of the outbreak of the COVID-19, the Group has not only striven to prevent and control the spread of COVID-19, but also adjusted its operational strategies, strengthened its internal management, controlled its operating costs, prevented risks and reinforced its safety and environmental controls in a timely manner so as to ensure a smooth production and operation.

Due to the effective precautionary measures against the spread of COVID-19 in 2021 and the recovery of the automobile industry, COVID-19 had a little impact on the production and operation of upstream customers and downstream suppliers. According to the data from the China Association of Automobile Manufacturers (“**CAAM**”) the production, and sales of automobiles in 2021 amounted to 26.08 million vehicles and 26.28 million vehicles, respectively, representing increases of 3.4% and 3.8%, respectively, as compared with those of 2020.

Complicated market environment and industrial factors have not hindered the Group’s performance for the Year. The overall performance of the Group has increased compared to the performance in 2020. Sales amounted to RMB167,045,000 in the Year, representing an increase of 37.3% as compared to that of 2020. Net profit of the Group for the year ended 31 December 2021 increased to RMB4,711,000, mainly due to the increase of sales.

FINANCIAL REVIEW

Revenue

| | Year ended 31 December | | | | | |
|---|-------------------------------|----------------|--------------|-------------------------------|----------------|--------------|
| | 2021 | | | 2020 | | |
| | <i>Unit(s)</i> <i>sold</i> | <i>RMB'000</i> | <i>%</i> | <i>Unit(s)</i> <i>sold</i> | <i>RMB'000</i> | <i>%</i> |
| Brass electroplating wire production lines | 4 | 35,398 | 21.2 | 5 | 50,053 | 41.2 |
| Other production lines | 9 | 11,655 | 7.0 | — | — | — |
| Standalone machines | 915 | 100,716 | 60.3 | 367 | 51,922 | 42.7 |
| Other mould repairing equipment, components parts and accessories | N/A | 12,264 | 7.3 | N/A | 11,857 | 9.7 |
| Rental income | N/A | 5,806 | 3.5 | N/A | 4,695 | 3.9 |
| Trading income | N/A | 1,206 | 0.7 | N/A | 3,093 | 2.5 |
| | | <u>167,045</u> | <u>100.0</u> | | <u>121,620</u> | <u>100.0</u> |

During the Year, our revenue increased by approximately RMB45.4 million or approximately 37.3% to approximately RMB167.0 million when compared with the revenue of approximately RMB121.6 million in 2020. The increase is mainly due to the Group delayed the delivery and testing of equipment as a result of the outbreak of COVID-19 in 2020.

Brass electroplating wire production lines. During the Year, revenue from sales of brass electroplating wire production lines decreased by approximately 29.3% to approximately RMB35.4 million when compared with the revenue of approximately RMB50.1 million in 2020. Four sets of brass electroplating wire production lines were accepted by the customers in 2021 while five sets were accepted by the customers in 2020. The decrease was mainly due to decrease in number of sets of brass electroplating wire production lines sold.

Other production lines. Revenue from sales of other production lines increased RMB11.7 million compared to that of 2020. No revenue from the sale of other production lines was generated in 2020.

Standalone machines. Revenue from sales of standalone machines increased by approximately 94.0% to approximately RMB100.7 million during the Year, when compared with the revenue of approximately RMB51.9 million in 2020. The increase was due to the growth in sales quantity of standalone machines.

Other mould repairing equipment, components parts and accessories. Revenue from sales of other mould repairing equipment, components parts and accessories increased by approximately 3.4% to approximately RMB12.3 million during the Year, when compared with the revenue of approximately RMB11.9 million in 2020. The increase was primarily due to the increase in the number of other mould repairing equipment sold to customers.

Rental income. Revenue from rental income was derived from the Group's investment properties, which were rented to third parties. As the rent of plant located in Yixin branch increased in 2021, the rental income increased by 23.7% comparing to that of 2020.

Trading income. There is also a decrease in revenue from trading from RMB3.1 million in 2020 to RMB1.2 million in 2021.

Gross profit and gross profit margin

Our gross profit increased by approximately 17.7% from approximately RMB30.3 million for 2020 to approximately RMB35.6 million for 2021.

Our overall gross profit margin decreased by 3.6% from approximately 24.9% for 2020 to approximately 21.3% for 2021, mainly due to the decrease slightly in unit selling prices of production lines and the increase in purchase price of raw materials, such as steel.

Other income

Our other income increased by approximately 21.7% from approximately RMB0.8 million for 2020 to approximately RMB0.9 million for 2021, primarily due to more government subsidies received during the year.

Selling expenses

Our selling expenses increased by approximately 13.9% from approximately RMB2.2 million for 2020 to approximately RMB2.6 million for 2021, primarily due to the increase in travelling expenses in 2021.

Administrative expenses

Our administrative expenses increased from approximately RMB25.5 million for 2020 to approximately RMB27.7 million for 2021.

This is primarily due to the increase in allowance for impairment of properties held for sale in 2021.

Net (impairment losses)/reversal of impairment losses on financial assets

The Group's net impairment losses on financial assets was approximately RMB3.4 million for 2021, representing an increase of RMB4.3 million, compared with the net reversal of impairment losses on financial assets of approximately RMB0.9 million in 2020, primarily due to the balances of accounts receivable and commercial acceptance notes as at 31 December 2021 increased approximately RMB57.0 million compared with the amount as at 31 December 2020.

Other losses — net

The Group recorded net other losses of approximately RMB1.3 million in 2021, compared with the net other losses of approximately RMB4.6 million in 2020.

Net other losses mainly included foreign exchange losses and fair value gains on financial assets at fair value through profit or loss. The decrease in net other losses in 2021 is mainly due to a decrease in foreign exchange losses.

Finance income

The Group recorded finance income of approximately RMB2.6 million in 2021, compared with finance income of approximately RMB3.3 million in 2020.

The decrease in finance income was mainly due to the decrease of interest income from deposits.

Income tax credit/(expenses)

The Group recorded income tax credit of approximately RMB0.5 million for 2021, compared with the income tax expense of approximately RMB0.5 million for 2020.

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

The Group's gross trade receivables increased by approximately 23.5% to approximately RMB307.9 million as at 31 December 2021 from approximately RMB249.3 million as at 31 December 2020.

The increase was primarily due to the increase in revenue. Meanwhile, the allowance for trade receivables increased from approximately RMB49.4 million at the end of 2020 to approximately RMB51.4 million at the end of 2021.

Inventories

The Group's inventories decreased by approximately 4.0% from approximately RMB113.5 million at the end of 2020 to approximately RMB109.0 million at the end of 2021.

It is mainly because of the decrease in the raw materials as at 31 December 2021 as compared with those as at 31 December 2020.

Trade and notes payables

The Group's trade and notes payables decreased by approximately 25.7% from approximately RMB64.4 million as at 31 December 2020 to approximately RMB47.9 million as at 31 December 2021.

It is primarily due to the decrease in purchase volumes in the fourth quarter of 2021 as compared with 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Cash position and fund available

As at 31 December 2021, the total cash and bank balances of the Group were approximately RMB170.2 million (31 December 2020: approximately RMB215.5 million), comprising cash and cash equivalents of approximately RMB33.8 million (31 December 2020: approximately RMB53.9 million), restricted cash of approximately RMB59.9 million (31 December 2020: approximately RMB48.4 million) and time deposits of approximately RMB76.5 million (31 December 2020: approximately RMB113.2 million).

As at 31 December 2021, the current ratio of the Group was 5.8 (31 December 2020: 5.2).

The gearing ratio of the Group (calculated as total borrowings divided by total equity) was zero (31 December 2020: zero).

The Group was in a strong net cash position as at 31 December 2021 and 2020. The Group has sufficient and readily available finance resources for general working capital requirement and foreseeable capital expenditure.

Borrowings

As at 31 December 2021, the Group had no borrowings (31 December 2020: Nil).

CAPITAL EXPENDITURES

During the Year, the Group's capital expenditures amounted to approximately RMB1.8 million (2020: approximately RMB3.8 million) which was related to the purchase of machineries and equipment.

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 transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in mainland China with most of the Group's transactions denominated and settled in RMB, except that certain trade receivables and bank deposits are denominated in US dollar (“**USD**”) which are exposed to foreign currency translation risk. During the year, the Group has entered into forward foreign exchange contracts in aggregate value of approximately US\$4,877,000 to hedge against the foreign exchange risk due to potential depreciation of USD against RMB which would cause exchange loss.

If the USD had strengthened/weakened by 5% against the RMB while all other variables had been held constant, the Group's net result for the year ended 31 December 2021 would have been approximately RMB4,558,000 better/worse (2020: RMB4,463,000), for various financial assets denominated in USD.

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) (the “**Net Proceeds**”).

With a view to improving efficiency in the use of the Company's temporary idle Net Proceeds, on the condition that the construction of the projects committed and planned usage of the proceeds for such construction will not be affected, the Board has proposed to utilise part of the temporary idle Net 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 Net 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 (the “**Shareholders**”) as a whole. For more details regarding the change of use of Net Proceeds from the Listing, please refer to the announcement of the Company dated 29 March 2016 (the “**Announcement**”).

At the annual general meeting of the Company held on 29 June 2021, 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 Net Proceeds for not more than RMB35 million in aggregate at any time. However, during the Year, no wealth management product was purchased by the Group which utilised the idle Net Proceeds. The authority granted to the Board to purchase wealth management products with the temporary idle Net Proceeds will expire one year after relevant approval.

Together with the income to be generated from the wealth management products, the Company will continue apply the Net Proceeds from the Listing for the construction of the new manufacturing facility located in Wuxi, Jiangsu Province of the PRC (the “**New Wuxi Facility**”) and the new research & development centre to be established in the New Wuxi Facility (the “**New Research & Development Centre**”) and for other purposes in accordance with the prospectus of the Company dated 30 October 2014 (the “**Prospectus**”) and in the Announcement.

The following table sets forth the status of use of proceeds from the Listing:

| | Planned use of net proceeds from the Listing ^(Note 1) (HK\$ million) (approximately) | Utilised up to 31 December 2021 (HK\$ million) (approximately) | Utilised during the year ended 31 December 2021 (HK\$ million) (approximately) | Unutilised balance up to 31 December 2021 ^(Note 2) (HK\$ million) (approximately) | Expected timeline for unused net proceeds from the Listing |
|--|--|--|---|---|--|
| Funding the construction of the New Wuxi Facility and the New Research & Development Centre | 163.00 | 110.99 | 2.71 | 63.40 | by 31 December 2024 |
| Developing certain targeted research and development projects | 25.50 | 26.69 ^(Note 3) | — | — | — |
| General working capital and other general corporate purposes | 21.00 | 20.95 | — | — | — |
| Total: | <u>209.50</u> | <u>158.63</u> | <u>2.71</u> | <u>63.40</u> | |

Notes:

- (1) The net proceeds allocated have been adjusted and recalculated with reference to (i) the actual net proceeds from the Listing of approximately HK\$209.50 million after the deduction of underwriting commissions, fees and listing-related expenses; and (ii) the percentage of the use of proceeds allocated to each of the purposes as disclosed in the Prospectus.
- (2) As at 31 December 2021, the unutilised proceeds amounted to approximately HK\$63.40 million. Among the unutilised proceeds of approximately HK\$63.40 million, the unutilised proceeds, including the net proceeds of approximately HK\$52.01 million and interest from net proceeds of approximately HK\$11.39 million, were deposited in licensed banks in the PRC.
- (3) The net proceeds of HK\$25.56 million and interest of net proceeds of HK\$1.13 million have been utilised for developing certain target research and development projects.

There has been a delay in the utilisation of the net proceeds from the Listing to the construction of the New Wuxi Facility and the New Research and Development Centre as there was a change in business development strategies with the reasons set out in the

Announcement. There has been further delay in the use of the net proceeds since the outbreak of COVID-19 affected the economy, business environment and customers' demand. However, the Company will utilise the unutilised portion of the net proceeds from the Listing according to the disclosure in the Prospectus and the Announcement.

PROSPECTS

In 2022, the local and global economic situation will remain tough and complicated, as the economy will face greater pressure and the international financial crisis continues to take its toll. Despite inflamed political and economical risks in some regions and the increasing uncertainties, the macro-economy of the PRC will pick up gradually. The new energy market was the spotlight of the automobile industry in 2021 with 2.893 million new energy vehicles sold in aggregate throughout the year, representing a year-on-year rise of 159.7%. This has indicated a favourable environment with improvement in terms of both market size and development quality. As macro policies will still support vehicle consumption, demand for radial tyre steel cords will be further driven, thus attracting more investments in equipment and capacity expansion. As an upstream supplier in the radial tyre steel cord production industry chain, the Group will closely monitor the market trend and seize any opportunities brought by market demand. Being persistent in strict management, the Group will further explore its potential and enhance lean management. It will spare no efforts in boosting its production efficiency, improving its skills and techniques, and providing better services in order to assist its customers in increasing efficiency with lower costs, thereby maintaining the Group's leadership amid intense market competition. It will also strive for long-term and sustainable growth and profitability with an aim to safeguard the interests of its shareholders.

EMPLOYEE AND REMUNERATION INFORMATION

As at 31 December 2021, the Group employed a total of 141 full-time employees (31 December 2020: 138), including administration, finance, internal audit, research and development, technical application, quality control, manufacturing, procurement, sales and marketing staff. For the year ended 31 December 2021, the Group's total employee remuneration was approximately RMB20.2 million (2020: approximately RMB15.9 million).

The Group's remuneration policies are formulated based on the performance and qualifications of individual employees and are reviewed regularly. Subject to the Group's profitability and the staff performance, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved.

A remuneration committee is set up for reviewing the Group's remuneration policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Group places great emphasis on recruiting and training personnel by providing orientation programmes 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 to 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 good relationship with its staff members.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

SIGNIFICANT INVESTMENTS

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.

PROPERTIES HELD FOR SALE

In 2018, the Group purchased 166 residential units of Tong Xing Garden, No. 269 Guangxing Road, Kenli District, Dongying City, Shandong Province, the PRC (the “**Properties**”), which carry a total gross floor area of 18,920.9 square metres for the residential units and 3,331.2 square metres for the ancillary facilities. The Group has an intention to sell the Properties and, accordingly, such assets are recognised as properties held for sale upon the completion of the transfer of the title of the Properties from the vendor to the Company in 2018.

During the Year, the Group sold one of the residential units at the total consideration of approximately RMB0.4 million. The carrying amount of the unsold units as at 31 December 2021 is approximately RMB46.5 million, representing 6.3% of the total assets of the Group.

TRANSACTION IN RELATION TO ACQUISITION OR DISPOSAL OF PROPERTIES

Save as disclosed in this announcement, during the Year, the Group had no other transactions in relation to acquisition or disposal of properties.

CHARGE ON GROUP ASSETS

As at 31 December 2021, the cash deposits in the amount of approximately RMB59.9 million were pledged to banks as security for notes payable and were secured for forward foreign exchange contracts. (31 December 2020: RMB48.4 million). Save for that, the Group did not have any charges on its assets as at 31 December 2021 or 31 December 2020.

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 in this announcement, the Group had no future plans for material investments as at 31 December 2021.

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 Listing Rules throughout the Year. For further information in respect of the corporate governance of the Group during the year, please refer to the corporate governance report in the annual report of the Company for the year, which will be published in April 2022 according to the Listing Rules.

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. The Board is of the opinion that the Model Code has been fully complied with during the year ended 31 December 2021.

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

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: final dividend of RMB0.05 per share).

ANNUAL GENERAL MEETING

The annual general meeting (the “**AGM**”) will be held on Friday, 17 June 2022. Notice of the AGM will be sent to the Shareholders according to the articles of association of the Company and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the identity of the shareholders of the Company who is entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 18 May 2022 to Friday, 17 June 2022, both dates inclusive, the period during which no transfer of shares will be effected. The holders of shares whose names appear on the register of members of the Company on Friday, 17 June 2022 will be entitled to attend and vote at the AGM. In order to be qualified to attend and vote at the AGM, 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, the PRC (in respect of Domestic shares) no later than 4:00 p.m. on Tuesday, 17 May 2022.

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 2021 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 2021. 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 will be dispatched to the Shareholders and available on the above websites according to the Listing Rules.

By order of the Board
無錫盛力達科技股份有限公司
Wuxi Sunlit Science and Technology Company Limited*
Zhang Degang
Chairman

Hong Kong, 25 March 2022

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. Leung Yiu Cho, Mr. Yu Jianfeng and Mr. Zhong Ruifeng.

** For identification purposes only*