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SUNLIGHT TECHNOLOGY HOLDINGS LIMITED

深藍科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1950)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021, revenue was approximately RMB233,945,000 (2020: approximately RMB134,441,000), representing a year-on-year increase of 74.0%.

For the year ended 31 December 2021, gross profit was approximately RMB38,875,000 (2020: approximately RMB31,599,000), representing a year-on-year increase of 23.0%.

For the year ended 31 December 2021, the Group recorded a net loss of approximately RMB2,600,000 (2020: RMB3,157,000).

For the year ended 31 December 2021, basic loss per share of the Company was RMB0.23 cents (2020 basic loss per share: RMB0.33 cents).

The Board has resolved not to declare the final dividend for the year ended 31 December 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Sunlight Technology Holdings Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**We**” and “**Our**”) for the year ended 31 December 2021 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards, together with the comparative information for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OF LOSS AND OTHER COMPREHENSIVE
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
Revenue	5	233,945	134,441
Cost of sales		<u>(195,070)</u>	<u>(102,842)</u>
Gross profit		38,875	31,599
Other revenue	6	2,824	4,234
Other gains and losses	7	2,945	965
Impairment losses under expected credit loss model, net of reversal		(481)	(2,352)
Loss on fair value change of financial assets at fair value though profit or loss		(13,462)	–
Selling and distribution expenses		(8,252)	(7,128)
Administrative and general expenses		(23,889)	(19,374)
Share of result of an associate		(36)	–
Finance costs	8	–	(486)
Listing expenses		<u>–</u>	<u>(10,246)</u>
Loss before tax	9	(1,476)	(2,788)
Income tax expenses	10	<u>(1,124)</u>	<u>(369)</u>
Loss for the year attributable to owners of the Company		<u>(2,600)</u>	<u>(3,157)</u>
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operation		<u>(4,131)</u>	<u>(761)</u>
Other comprehensive loss for the year		<u>(4,131)</u>	<u>(761)</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(6,731)</u>	<u>(3,918)</u>
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents)	12	<u>(0.23)</u>	<u>(0.33)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		88,804	59,715
Right-of-use assets		26,888	27,494
Interest in an associate		2,964	–
Prepayments		–	5,752
Deferred tax assets		445	385
		119,101	93,346
Current assets			
Inventories		31,276	17,994
Trade and bills receivables	<i>13</i>	90,357	69,484
Prepayments, deposits and other receivables		2,453	3,542
Financial assets at fair value through profit or loss		36,262	–
Pledged bank deposits		5,278	–
Bank balances and cash		28,447	79,641
		194,073	170,661
Current liabilities			
Trade and bills payables	<i>14</i>	38,011	19,946
Other payables and accruals		4,852	5,693
Deferred income		137	137
Tax payables		48	196
		43,048	25,972
Net current assets		151,025	144,689
Total assets less current liabilities		270,126	238,035
Non-current liability			
Deferred income		547	684
Net assets		269,579	237,351
Capital and reserves			
Share capital	<i>15</i>	4,152	3,497
Reserves		265,427	233,854
Total equity		269,579	237,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Sunlight Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. The registered office address is at 89 Nexus Way, Camana Bay, Grand Cayman KY-9009, Cayman Islands. The head office and principal place of the Group is at No.2 Jiangshan Road, Meicheng Town, Jiande County, Hangzhou City, Zhejiang Province, PRC, respectively.

The Company is an investment holding company and its subsidiaries (the “**Group**”) are principally engaged in the manufacturing and sales of faux leather chemicals. The shares of the Company (the “**Shares**”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of international placing and Hong Kong public offer (collectively the “**Global Offering**”) on 12 March 2020 (the “**Listing Date**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the presentation currency of the Company. All values are rounded to the nearest thousands (“**RMB’000**”) except otherwise indicated. The consolidated financial statements are presented in RMB, which is different from the Company’s functional currency of Hong Kong dollars (“**HK\$**”). The directors of the Company adopted RMB as presentation currency as the Group’s operating activities are carried out in the People’s Republic of China (“**PRC**”).

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time for the preparation of the consolidated financial statements:

Amendments to IFRS 16

Amendments to IFRS 9, IAS 39, IFRS 7,

IFRS 4 and IFRS 16

Covid-19-Related Rent Concessions

Interest Rate Benchmark – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁴
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements information is considered material if such information is reasonably expected to influence decision made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

(i) Operating segment information

The Group’s most senior executive management has been identified as the chief operating decision maker who reviews the Group’s internal reporting in order to assess performance and allocate resources. The Group’s most senior executive management has determined the operating segments based on these reports.

The Group’s most senior executive management assesses the performance based on a measure of loss after tax and considers all businesses to be included in a single operating segment.

The Group is principally engaged in the manufacturing and sales of faux leather chemicals. Information reported to the Group’s most senior executive management for the purpose of resources allocation and performance assessment, focuses on the operating result of the Group as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

(ii) Geographical information

The Group’s operation is principally in the PRC and all its non-current assets are situated in the PRC.

The Group’s revenue are derived from the PRC and overseas (i.e. Mexico, Turkey and Vietnam) based on the location of goods delivered as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
The PRC	229,514	132,107
Overseas	4,431	2,334
	<u>233,945</u>	<u>134,441</u>

(iii) Information about a major customer

Revenue from a customer during the years contributing individually over 10% of the Group's revenue is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Company A	29,711	—*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE

Revenue represents the amounts received and receivable from the sales of faux leather chemicals, net of discounts, sales return and sales related taxes during the years.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sales of faux leather chemicals	233,945	134,441

The Group has applied the practical expedient under IFRS 15 so that transaction price allocated to unsatisfied performance obligations under contracts for sales of faux leather chemicals are not disclosed as such contracts have an original expected duration of one year or less.

6. OTHER REVENUE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Bank interest income	893	1,271
Government grants (<i>note</i>)	1,432	2,317
Dividend income on financial assets at fair value through profit or loss	253	—
Sundry income	246	646
	2,824	4,234

note: Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The Group received these government grants in respect of its investments in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/gain on disposal of property, plant and equipment	(148)	7
Exchange gain, net	3,043	958
Bad debt recovery	50	—
	<u>2,945</u>	<u>965</u>

8. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings wholly repayable within five years	—	486
	<u>—</u>	<u>486</u>

9. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	850	756
Listing expenses	–	10,246
Cost of inventories sold	195,070	102,967
Depreciation:		
– Depreciation of property, plant and equipment	6,673	6,369
– Depreciation of right-of-use assets	606	450
	<u>7,279</u>	<u>6,819</u>
Less: amount included in cost of sales	<u>(4,910)</u>	<u>(4,268)</u>
	<u>2,369</u>	<u>2,551</u>
Provision for/(reversal of) impairment loss on:		
– trade receivables	478	2,355
– other receivables	3	(3)
Directors' remuneration	1,173	1,048
Staff costs (excluding directors' remuneration)		
– wages, salaries, allowances and bonus	16,624	11,820
– contributions to retirement benefits schemes	2,378	1,404
	<u>19,002</u>	<u>13,224</u>
Less: amounts included in cost of sales	<u>(6,369)</u>	<u>(5,026)</u>
	<u>12,633</u>	<u>8,198</u>
Reversal of write-down on inventories	–	(125)
Research and development expenses	9,276	7,453
Expenses for short term lease	365	330
	<u>365</u>	<u>330</u>

10. INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”)		
– Current income tax	1,184	685
Deferred tax	(60)	(316)
	<hr/>	<hr/>
Total tax charge for the year	1,124	369
	<hr/>	<hr/>

The PRC

The income tax provision of the Group in respect of its operations in the PRC was calculated at tax rate of 25% on the assessable profits for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

Zhejiang Sunlight is approved as “high and new technology enterprise” and accordingly, it is subject to a reduced preferential corporate income tax rate of 15% for the reporting period.

Cayman Islands, BVI and Hong Kong

No Provision for taxation has been recognised for companies incorporated in the Cayman Islands, BVI and Hong Kong as they are not subject to any tax during the years ended 31 December 2021 and 2020.

Withholding Tax in Mainland China (“WHT”)

According to the New Corporate Income Tax Law (“New EIT Law”), distribution of profits earned by companies in Mainland China since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas incorporated immediate holding companies.

As at 31 December 2021 and 2020, the retained earnings of the Group’s PRC subsidiary not yet remitted to holding company incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB63,290,000 and RMB51,922,000 respectively. For this unrecognised amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

11. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the years ended 31 December 2021 and 2020.

12. LOSS PER SHARE

The calculation of the basic loss per share during the period is based on the loss for the year attributable to owners of the Company of approximately RMB2,600,000 (2020: RMB3,157,000) and the weighted average number of ordinary shares in issue during the period of 1,146,301,370 (2020: 951,369,863). Diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

	Year ended 31 December	
	2021	2020
Loss for the year attributable to owners of the Company (RMB'000)	(2,600)	(3,157)
Weighted average number of ordinary shares ('000)	1,146,301	951,370
Basic loss per share (RMB cents)	(0.23)	(0.33)

13. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	85,347	52,983
Less: provision for impairment	(2,970)	(2,564)
	82,377	50,419
Bills receivables	7,980	19,065
Total trade and bills receivables – net	90,357	69,484

The following is an ageing analysis of trade receivables presented based on the invoice date:

	2021	2020
	RMB'000	RMB'000
Within 30 days	27,144	16,395
31 to 90 days	36,562	20,974
91 to 180 days	14,589	9,086
181 to 365 days	5,669	3,973
Over 1 year	1,383	2,555
	85,347	52,983

14. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	20,418	19,946
Bills payables	17,593	—
	<u>38,011</u>	<u>19,946</u>

The average credit period from suppliers is up to 30 to 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	13,655	12,571
31 to 90 days	6,098	6,625
91 to 180 days	511	255
181 to 365 days	16	416
Over 1 year	138	79
	<u>20,418</u>	<u>19,946</u>

As at 31 December 2021 and 2020, all bills payables are with a maturity period of less than 6 months.

15. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share Capital <i>RMB'000</i>
Authorised:		
At 1 January 2020, ordinary share of US\$0.001 each	1,000,000,000	6,700
Share subdivision (<i>Note (a)</i>)	<u>1,000,000,000</u>	<u>—</u>
At 31 December 2020, 1 January 2021 and 31 December 2021, ordinary share of US\$0.0005 each	<u>2,000,000,000</u>	<u>6,700</u>

	Number of shares	Share Capital RMB'000
Issued and fully paid:		
At 1 January 2020, ordinary share of US\$0.001 each	100,000,000	670
Share subdivision (<i>Note (a)</i>)	100,000,000	–
Capitalisation issue (<i>Note (b)</i>)	550,000,000	1,944
Issue of new shares under Global Offering (<i>Note (c)</i>)	250,000,000	883
	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021, ordinary share of US\$0.0005 each	1,000,000,000	3,497
Placing new shares (<i>Note (d)</i>)	200,000,000	655
	<hr/>	<hr/>
At 31 December 2021, ordinary share of US\$0.0005 each	<u>1,200,000,000</u>	<u>4,152</u>

Notes:

- (a) On 10 February 2020, all the issued and unissued shares of the Company with par value of US\$0.001 each share was subdivided into two shares of US\$0.0005 each. Accordingly, following the completion of the subdivision, the authorised share capital became US\$1,000,000 divided into 2,000,000,000 shares of par value of US\$0.0005 each, each ranking pari passu with one another in all respects.
- (b) Pursuant to a resolution in writing passed by all the shareholders of the Company on 10 February 2020, the directors of the Company were authorised to capitalise an amount of US\$275,000 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 550,000,000 shares for allotment and issue to the shareholders of the Company.
- (c) The Company was successfully listed on the Stock Exchange on 12 March 2020 by way of the Global Offering of 25,000,000 public offer share and 225,000,000 placing shares respectively at the offer price of HK\$0.52 per share.
- (d) On 9 April 2021, 200,000,000 new shares were allotted and issued by the Company and placed to not less than six independent placees at the placing price of HK\$0.240 per placing share, which generated net proceeds of approximately HK\$46,500,000 (equivalent to RMB38,959,000).

16. SUBSEQUENT EVENTS

Save as disclosed in this announcement, subsequent to 31 December 2021, the following events took place:

On 31 January 2022, the Board proposed to change the English name of the Company from “Sunlight Technology Holdings Limited” to “Diwang Industrial Holdings Limited” and the dual foreign name in Chinese of the Company from “深藍科技控股有限公司” to “帝王實業控股有限公司”. The proposed change of Company name was approved as a special resolution by the Shareholders at the extraordinary general meeting held on 23 March 2022. For the details, please refer to the Company’s announcements dated 31 January 2022 and 23 March 2022 and Company’s circular dated 4 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW AND PROSPECTS

The Group's Overall Business and Financial Performance

We are an established faux leather chemicals manufacturer in the PRC principally engaged in the research and development, manufacturing and sale of coating agents and synthetic resins under our own brand.

During the Reporting Period, the global novel coronavirus pandemic (COVID-19) continued to be volatile. The global economic environment remained complex and challenging under various uncertainties. With the joint efforts of all countries, vaccination was gradually carried out. The downstream industries and consumer demand among various industries has been recovered. During the Reporting Period, the Group's revenue increased by approximately RMB99,504,000 or 74.0% from approximately RMB134,441,000 for the year ended 31 December 2020 to approximately RMB233,945,000. However, the whole industry has been constrained by various factors, such as the significant price increase in several upstream raw materials and the expected negative impact of the volatile development of global pandemic. Hence, the outlook remains challenging.

The Group's gross profit increased by RMB7,276,000 or 23.0% from approximately RMB31,599,000 for the year ended 31 December 2020 to approximately RMB38,875,000 for the year ended 31 December 2021.

During the Reporting Period, the Company took proactive measures to cope with the complicated and volatile macroeconomic environment. Internally, the Company strengthened its cost management, such as improving work efficiency, reducing unnecessary expenses and timely adjustment of the inventory level in respond to the upstream and downstream markets. At the same time, the Group has launched an orderly management informatization and production automation transformation. During the year, business modules of the Group have been integrated into the Kingdee Cloud (金蝶雲) system, which was a cornerstone for our digital development. Externally, our production and business operation plans has been adjusted in light of market changes in a timely manner. The Group has vigorously promoted its production and sale of colour chips, as well as conducting strategic cooperation intensively with water-based material manufacturers. In respect of research and development, we have proactively raised the level of software and hardware in our research and development centers, thus increasing the capacity of research and development for our products, including surface treatment agent, synthetic resins and water-based resins for creating multi-purpose products tirelessly.

Our Business Strategies and Future Prospects

Looking ahead, the Group will continue to enhance its overall competitiveness and market share by strengthening its premium long-term relationship with existing customers, proactively developing new customers, continuing to strengthen its research and development capabilities and further expanding our product portfolio and geographical coverage. The Group will continue to expand the research and development center, promote the development and sales of products, such as finishes, synthetic resins, and water-based resins, keep improving our products and customer service-oriented management system, while actively promoting the production automation and informatization, so as to lay a foundation for long-term development.

In view of the worldwide spread of the epidemic caused by the COVID-19 since January 2020, the short-term sluggish situation coupled with the escalating geopolitical tensions that led to uncertain global economic outlook, the Group expects the business environment in the near future will be under increasing challenges.

Despite the difficulties ahead, the Group has been actively seeking opportunities to expand the business scope and broaden the income stream of the Group. In December 2021, the Company entered into a memorandum of understanding (the “**MOU**”) with Hunan Jinkai Culture Communication Company Limited* (湖南金鎧文化傳播有限責任公司) and Jiangxi Zhongniang Wine Industry Company Limited* (江西中釀酒業有限公司), pursuant to which the parties intend to establish a company in the PRC of which the business scope includes the production and sales of food and beverage products and engaged in production and sales of traditional Chinese yellow wine and white wine products owned beneficially by the Group as to 70%. As at the date of this announcement, the MOU has not been materialised.

With the experienced management team, innovative strategies and solid track record of the Group, the Group will be fully prepared for sustainable and healthy development among such challenging external business environment. The Group will closely monitor changes in the economic environment, so as to evaluate its business strategies to cope with the market challenges in a timely manner, ensure the Group’s sustainable and steady development and grasp opportunities to enhance its long-term growth potential in the future, as well as to safeguard the interests of shareholders of the Company (the “**Shareholders**”).

FINANCIAL REVIEW

Revenue

Revenue increased by RMB99,504,000 or 74.0% from approximately RMB134,441,000 for the year ended 31 December 2020 to approximately RMB233,945,000. It was attributable to the increase in revenue from various products, among which, both price and volume sold from colour paste, colour chips and synthetic resin products were increased.

In 2020 and 2021, revenue from colour paste accounted for approximately 33.3% and approximately 38.5%, respectively, of total revenue; revenue from colour chips accounted for approximately 20.6% and approximately 21.5%, respectively, of total revenue; revenue from finishes accounted for approximately 28.0% and approximately 22.4%, respectively, of total revenue; revenue from additives accounted for approximately 3.3% and approximately 7.2%, respectively, of total revenue; and revenue from synthetic resins of the Group accounted for approximately 14.8% and approximately 10.4%, respectively, of total revenue.

The Group mainly sells its products to customers in the PRC. Most of the revenue of the Group was derived from sales in the PRC, which accounted for approximately 98.3% and 98.1%, respectively, of its total revenue for the years ended 31 December 2020 and 2021.

Cost of sales

Cost of sales increased by approximately RMB92,228,000 or 89.7% from approximately RMB102,842,000 for the year ended 31 December 2020 to approximately RMB195,070,000 for the year ended 31 December 2021, mainly due to the increase in cost of raw materials and also increase of product sold.

Gross profit and gross profit margin

The Group's gross profit increased by RMB7,276,000 or 23.0% from approximately RMB31,599,000 for the year ended 31 December 2020 to approximately RMB38,875,000 for the year ended 31 December 2021. Gross profit margin decreased to 16.6% for the year ended 31 December 2021 from 23.5% for the year ended 31 December 2020. The decrease in gross profit margin was mainly due to the increase in raw material costs.

Other revenue

Other revenue mainly represented government grants and bank interest income. The Group's other revenue for the year ended 31 December 2021 was approximately RMB2,824,000, while other revenue for the year ended 31 December 2020 was approximately RMB4,234,000. The change was mainly due to the decrease in government grants received and bank interest income during the Reporting Period.

Other gains and losses

The other gains increased by approximately RMB1,980,000 or from approximately RMB965,000 for the year ended 31 December 2020 to approximately RMB2,945,000 for the year ended 31 December 2021, mainly due to the increase in net exchange gain.

OTHER OPERATING EXPENSES

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2021 was approximately RMB8,252,000, representing an increase of approximately RMB1,124,000 or 15.8% from approximately RMB7,128,000 for the year ended 31 December 2020. The increase in selling and distribution expenses was mainly due to the increase in overall sales revenue.

Selling and distribution expenses for the year ended 31 December 2021 accounted for 3.5% (2020: approximately 5.3%) of the revenue of the Group.

Administrative and general expenses

Administrative and general expenses for the year ended 31 December 2021 were approximately RMB23,889,000, representing an increase of approximately RMB4,515,000 or 23.3% from approximately RMB19,374,000 for the year ended 31 December 2020. The increase in administrative and general expenses was mainly due to the increase in professional services fees for engaging intermediaries after the listing of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Administrative and general expenses for the year ended 31 December 2021 accounted for 10.2% (2020: approximately 14.4%) of the revenue of the Group.

Finance costs

Finance costs were approximately RMB nil for the year ended 31 December 2021 as compared to approximately RMB486,000 for the year ended 31 December 2020.

Income tax expenses

Zhejiang Sunlight, a subsidiary of the Company in Mainland China, is recognised as a High and New Technology Enterprise and entitled to a preferential tax rate of 15% for the PRC Enterprise Income tax. Income tax expense was approximately RMB1,124,000 for the year ended 31 December 2021, representing an increase of approximately RMB755,000 or 204.6% as compared to approximately RMB369,000 for the year ended 31 December 2020.

Loss for the year

For the year ended 31 December 2021, the Group recorded a net loss of approximately RMB2,600,000, as compared to a net loss of approximately RMB3,157,000 for the year ended 31 December 2020. The loss was mainly due to loss on investment in financial assets, further details are disclosed in the section of “Investments” in this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's current assets were approximately RMB194,073,000, mainly comprising cash and bank balances (including pledged bank deposits), inventories and trade and bills receivables and financial assets at fair value through profit or loss of approximately RMB33,725,000, RMB31,276,000, RMB90,357,000 and RMB36,262,000 respectively.

Current liabilities of the Group amounted to approximately RMB43,048,000, of which RMB38,011,000 were trade and bills payables.

The current ratio (the ratio of current assets to current liabilities) decreased from approximately 6.57 times as at 31 December 2020 to approximately 4.51 times as at 31 December 2021. The change in current ratio was mainly due to increase in bills payables of approximately RMB17,593,000 at the year end date.

As at 31 December 2021 or the date of this announcement, the Group had no other debt financing commitments, nor was it in breach of any financial covenant.

Capital expenses

During the Reporting Period, the Group's capital expenditure was approximately RMB35,924,000, representing an increase of RMB15,371,000 as compared to that of RMB20,553,000 in the prior year. Capital expenditure for the Reporting Period mainly relates to the construction for the new production plant of the Group in order to cope with the increasing demand of our colour paste products. The new production plant is expected to be completed in the coming two years in stages. Certain part of the new production plant has been completed and has been put into production during the Reporting Period.

Capital commitment

The capital commitments not provided for in the condensed consolidated financial statements as at 31 December 2021 and 31 December 2020 were RMB7,213,000 and RMB11,486,000 respectively, which represented the purchase of plant and machinery contracts.

Gearing ratio

The gearing ratio is the ratio of net debt divided by total equity as at 31 December 2021. Net debt is calculated as total debt net of cash and cash equivalents. As at 31 December 2021, the Group recorded a net cash position (31 December 2020: recorded a net cash position) and hence, no gearing ratio is computed for both years.

Capital structure

The shares of the Company (the “**Shares**”) were listed on the Stock Exchange on 12 March 2020 and 250,000,000 shares were issued at a price of HKD0.52 per share. As at 31 December 2021, the Company had a total of 1,200,000,000 ordinary shares with a par value of US\$0.0005 each in issue (31 December 2020: 1,000,000,000 Shares).

On 22 March 2021, the Company and a placing agent (the “**Placing Agent**”) entered into the placing agreement pursuant to which the Placing Agent conditionally agreed to place up to 200,000,000 Shares at HK\$0.24 per Share (the “**Placing Shares**”), on a best effort basis, to not less than six share placees (“**Share Placees**”) under the general mandate (the “**Share Placing**”). The placing price of the Placing Shares were approximately a discount of 14.28% to the closing price of the Shares of HK\$0.28 per Share as quoted on the Stock Exchange on 22 March 2021. On 9 April 2021, 200,000,000 Placing Shares were allotted and issued by the Company to the Share Placees who are independent third parties. The net proceeds from the Share Placing was approximately HK\$46,500,000 (equivalent to approximately RMB38,959,000) or at net price of approximately HK\$0.23 per Share. The Company intends to apply the net proceeds from the Share Placing for the general working capital and future investment of the Group as and when opportunities arise. The net proceeds have been fully utilised as general working capital for procurement of raw materials for production in the second half of 2021. For details of the Share Placing, please refer to the announcements of the Company dated 22 March 2021 and 9 April 2021.

INVESTMENTS

As at 31 December 2021, the Group had invested in the shares of the companies listed on the Stock Exchange with total carrying amount of approximately RMB36,262,000 (equivalent to approximately HK\$44,492,000) (2020: nil). The Board considers any single investment with fair value accounting for more than 5% of the total assets of the Group as significant investment. As the Group did not have any single investment accounting for 5% or more of the total assets of the Group as at 31 December 2021, the Group did not have any significant investments as at 31 December 2021.

The portfolio of equity investments as at 31 December 2021 are set out as follows.

			Fair value of the investment in listed securities as at 31 December 2021	Percentage of fair value of the investment in listed securities/total assets of the Group as at 31 December 2021
	Investment cost	Unrealised fair value loss for the year ended 31 December 2021	Fair value of the investment in listed securities as at 31 December 2021	
	RMB'000	RMB'000	RMB'000	
Financial assets at fair value through profit or loss	48,228	(11,299)	36,262	11.58%

During the Reporting Period, exchange loss of approximately RMB667,000 was recorded as a result of translation of HK\$ to RMB. Details of the performance of financial assets at fair value through profit or loss during the year ended 31 December 2021 are as follows:

Description of investments	Realised fair value loss for the year ended 31 December 2021 <i>RMB'000</i>	Unrealised fair value loss for the year ended 31 December 2021 <i>RMB'000</i>	Dividend received during the year ended 31 December 2021 <i>RMB'000</i>
Listed securities in Hong Kong	(1,762)	(11,700)	253

In view of the recent volatility in the securities market, the Directors expect the stock market will remain volatile in the coming year and the Group will continue to adopt the cautious approach in making investment decision in securities trading so as to obtain a balance between risk and return.

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates, joint ventures and capital assets during the year ended 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, we did not record any material hire purchase commitments, contingent liabilities, guarantees or litigations against us.

FOREIGN CURRENCY RISK AND MANAGEMENT

The Group's sales and purchases are mainly denominated in RMB. The Group retains some of its foreign currency denominated funds, which are mainly denominated in Hong Kong dollars. Fluctuations in exchange rates have an impact on the foreign currency reserve and the Company is exploring and discussing measures to cope with the foreign exchange risk. As at 31 December 2021, the Group did not enter into any financial instruments to hedge foreign exchange.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 180 (2020: 150) employees. The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees.

The Group provides employee benefits in accordance with the relevant laws and regulations. As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group believes that it maintains a good working relationship with its employees. The employees in Hong Kong are members of the Mandatory Provident Fund Scheme of Hong Kong.

DIVIDEND

The Board has resolved not to declare the final dividend for the year ended 31 December 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own corporate governance code. The Company is committed to the establishment of good corporate governance practices and procedures with a view of becoming a transparent and responsible organisation which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is essential for creating greater value to its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for Shareholders. Since the Listing Date and up to the date of this announcement, the Group has strictly complied with the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions since the Listing Date. Following a specific enquiry made by the Company with each of the Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules during the Reporting Period and up to the date of this announcement. The Company maintained the minimum level of public float of 25% of its total issued share capital.

EVENTS SUBSEQUENT TO REPORTING PERIOD

As disclosed in the announcement of the Company dated 31 January 2022, the Board proposed to change the English name of the Company from “Sunlight Technology Holdings Limited” to “Diwang Industrial Holdings Limited” and the dual foreign name in Chinese of the Company from “深藍科技控股有限公司” to “帝王實業控股有限公司” (**“Proposed Change of Company Name”**). The Proposed Change of Company Name was approved as a special resolution by the Shareholders at the extraordinary general meeting of the Company held on 23 March 2022.

The Company is carrying out all necessary filing procedures with the Registrar of Companies in Hong Kong and in the Cayman Islands regarding the Proposed Change of Company Name accordingly. Further announcement will be made by the Company in respect of the changes to trading arrangements, including the new stock short name and the effective date of the change of stock short name, as soon as practicable.

Saved as otherwise disclosed, the Group does not have any material subsequent events after the reporting period and up to the date of this announcement.

USES OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING ON 12 MARCH 2020 (THE “INITIAL PUBLIC OFFERING”)

The shares of the Company were listed on the Main Board of the Stock Exchange on 12 March 2020. Net proceeds from the Initial Public Offering were approximately RMB72.4 million (equivalent to approximately HK\$84.7 million). The intended uses of the proceeds from the Initial Public Offering were set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 27 February 2020 (the **“Prospectus”**).

As at 31 December 2021, the Company utilised a total of approximately RMB60.5 million for the purposes as listed below.

Intended uses of proceeds	Use of proceeds in the same manner and proportion as stated in the Prospectus RMB million	Actual use of proceeds as at 31 December 2021 RMB million	Net proceeds unutilised as at 31 December 2021 RMB million
Establishment of New Production Plant	43.3	41.1	2.2
Enhancing automation system of our existing Jiande Production Plant	11.9	10.5	1.4
Strengthening our research and development capabilities	15.8	7.5	8.3
General working capital	1.4	1.4	–
	<u>72.4</u>	<u>60.5</u>	<u>11.9</u>

The remaining proceeds of approximately RMB11.9 million will be continually used in the same manner and proportions as set out in the section headed “Future plans and use of proceeds” in the Prospectus and in accordance with the expected timetable as disclosed in the Company’s annual report for the year ended 31 December 2020.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures set out in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto disclosed in this annual results announcement of the Group for the year ended 31 December 2021 have been agreed by the Company’s auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by HLB Hodgson Impey Cheng Limited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee currently consists of five independent non-executive Directors, namely, Mr. Au Hei Ching, Mr. Ho Ho Tung Armen, Mr. Lee Cheung Yuet Horace, Mr. Zheng Yu and Ms. Zhou Xiaochun, and Mr. Ho Ho Tung Armen is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement has been published on the websites of the Stock Exchange (www.hkexnews.com.hk) and the Company (www.slkj.cn). The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be despatched to the Company’s shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Sunlight Technology Holdings Limited
Liu Jing
Chairman and executive Director

Hong Kong
29 March 2022

As at the date of this announcement, the Board comprises Ms. Liu Jing, Mr. Chen Hua, Ms. Zhu Jianqin, Mr. Wen Yongwen and Mr. Gu Jianguo as executive Directors; Mr. Au Hei Ching, Mr. Ho Ho Tung Armen, Mr. Lee Cheung Yuet Horace, Mr. Zheng Yu and Ms. Zhou Xiaochun as independent non-executive Directors.