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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022 (RMB'000)	2021 (RMB'000)	Change
Revenue	74,287	97,201	-23.6%
Gross profit	16,654	19,226	-13.4%
Profit before income tax	4,029	3,211	25.5%
Profit for the period	3,959	2,948	34.3%
Profit for the period attributable to shareholders of the Company	3,959	2,948	34.3%
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB cents)			
— Basic and diluted	3.09	2.30	34.3%

INTERIM 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**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021. The unaudited interim financial statements have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

		Six months ended 30 June	
		2022	2021
	Note	Unaudited	Unaudited
Revenue	4	74,287	97,201
Cost of sales	5	<u>(57,633)</u>	<u>(77,975)</u>
Gross profit		16,654	19,226
Selling expenses	5	(1,315)	(1,510)
Administrative expenses	5	(11,828)	(12,210)
Net allowance of impairment losses of financial assets		(6,698)	(3,250)
Other income	6	739	162
Other gains/(losses) — net	7	<u>5,296</u>	<u>(611)</u>
Operating profit		<u>2,848</u>	<u>1,807</u>
Finance income	8	<u>1,181</u>	<u>1,404</u>
Profit before income tax		4,029	3,211
Income tax expense	9	<u>(70)</u>	<u>(263)</u>
Profit for the period attributable to shareholders of the Company		<u><u>3,959</u></u>	<u><u>2,948</u></u>
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB cents)			
— Basic and diluted	10	<u><u>3.09</u></u>	<u><u>2.30</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Profit for the period	3,959	2,948
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the period attributable to shareholders of the Company	<u>3,959</u>	<u>2,948</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	<i>Note</i>	30 June 2022 Unaudited	31 December 2021 Audited
ASSETS			
Non-current assets			
Right-of-use assets		17,703	17,957
Property, plant and equipment		71,693	73,340
Investment properties		36,143	37,507
Intangible assets		22	32
Trade and other receivables	13	1,621	1,642
Deferred income tax assets — net		13,845	13,813
		141,027	144,291
Current assets			
Inventories	11	116,719	108,968
Properties held for sale	12	45,643	46,495
Prepayments		4,612	3,936
Trade and other receivables	13	283,628	258,887
Derivative financial instruments		129	227
Restricted cash		69,353	59,875
Time deposits		67,915	76,459
Cash and cash equivalents		39,189	33,817
		627,188	588,664
Total assets		768,215	732,955
EQUITY			
Share capital		128,000	128,000
Share premium		311,464	311,464
Reserves		66,512	66,599
Retained earnings		129,994	125,948
Total equity		635,970	632,011
LIABILITIES			
Current liabilities			
Trade and other payables	14	69,566	58,740
Contract liabilities		62,679	42,204
		132,245	100,944
Total liabilities		132,245	100,944
Total equity and liabilities		768,215	732,955

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION OF THE GROUP

無錫盛力達科技股份有限公司 (Wuxi Sunlit Science and Technology Company Limited*) (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in the manufacturing and sales of a range of equipment for manufacturing 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 No.1 East Yanxin Road, Huishan Economic Development Zone, Wuxi, Jiangsu Province, the 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.

The outbreak of the 2019 Novel Coronavirus (the “**COVID-19**”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of tyre manufacturing. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group as at and for the six months ended 30 June 2022.

The interim condensed consolidated financial information is presented in Renminbi thousands (RMB’000), unless otherwise stated.

The interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, ‘Interim Financial Reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, and any public announcements made by the Group during the interim reporting period which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

(a) Income taxes

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

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

(b) New standards and amendments to standards adopted by the Group

The Group has applied the following new standards and amendments to standards for the first time for the Group's financial year commencing 1 January 2022.

Standards/Amendments	Subject
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKFRS 3	Business Combinations reference to the Conceptual Framework
Amendments to HKAS 37 Annual Improvements	Onerous Contracts — Cost of Fulfilling a Contract Annual Improvements to HKFRS Standards 2018–2020 Cycle
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The adoption of the new standards and amendments does not have significant impact on the condensed consolidated interim financial information.

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

The following new standards and amendments and interpretations to standards have been issued but are not effective for the financial year beginning 1 January 2022 and have not been early adopted by the Group:

Standards/Amendments/ Interpretations	Subject	Effective for annual years beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	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

4 REVENUE

The chief operating decision-maker (“CODM”) has been identified as the Board of the Company. The CODM regards the Group’s business as a single operating segment and reviews the financial statements accordingly.

The Group is principally engaged in the manufacturing and sales of a range of equipment for manufacturing steel wire products and leasing. Revenue from sales of goods and rental income for the six months ended 30 June 2022 and 2021 are as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Sales of production lines		
— Brass electroplating wire production lines	21,206	—
— Other production lines	13,176	—
Sales of standalone machines	30,827	84,775
Sales of other mould repairing equipment, component parts and accessories	5,556	8,436
Rental income	3,522	2,784
Trading income	—	1,206
	<u>74,287</u>	<u>97,201</u>

The Group mainly operates its business in Mainland China. For the six months ended 30 June 2022 and 2021, the geographical information on the total revenue is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Revenue		
— Mainland China	67,665	96,524
— Others	6,622	677
	<u>74,287</u>	<u>97,201</u>

The Group’s revenues were derived from the following external customers that individually contributed more than 10% of the Group’s revenue:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Company A	18,666	N/A ¹
Company B	12,760	N/A ¹
Company C	12,165	N/A ¹
Company D	8,534	N/A ¹
Company E	N/A¹	81,611
	<u>N/A¹</u>	<u>81,611</u>

¹ The corresponding revenue did not contribute 10% or more of the Group's total revenue for the six months ended 30 June 2022 and 2021.

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Changes in inventories of finished goods and work in progress	(4,717)	(9,914)
Raw materials used	50,212	75,470
Employee benefit expenses	10,905	10,527
Depreciation and amortisation	5,170	5,065
Outsourced installation fees	2,815	3,225
Other tax charges	1,735	1,491
Entertainment expenses	870	446
Travelling expenses	599	627
Professional fees	554	1,700
Office expenses	526	457
Auditor's remuneration	472	425
Other expenses	1,635	2,176
Total cost of sales, selling expenses and administrative expenses	70,776	91,695

6 OTHER INCOME

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Government subsidies (<i>note (a)</i>)	739	67
Value-added tax ("VAT") refunds	—	95
	739	162

Notes:

(a) Government subsidies mainly represented subsidies for the Group's application of intelligent manufacturing projects and contribution of stabling staff employment.

7 OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Foreign exchange gains/(losses) — net	5,100	(1,042)
Unrealised fair value gains on derivative financial instruments	98	49
Fair value gains on financial assets at fair value through profit or loss	87	391
Others	11	(9)
	5,296	(611)

8 FINANCE INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
— Bank interest income	1,138	1,356
— Amortisation of unearned financial income	43	48
	1,181	1,404

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Current income tax — PRC corporate income tax	102	121
Deferred income tax	(32)	142
Income tax expense	70	263

Except for the PRC corporate income tax (“CIT”), the Group is not subject to income tax of other jurisdictions.

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 six months ended 30 June 2022 (six months ended 30 June 2021: 15%).

Wuxi Haisheng Software Technology Co., Ltd. (“**Haisheng Software**”) was qualified as the Small and Micro Enterprise, the taxable profit of less than RMB1 million was subject to a reduced effective CIT rate of 2.5% (six months ended 30 June 2021: 2.5%) and the taxable profit between RMB1 million and RMB3 million was subject to a reduced effective CIT rate of 10% for the six months ended 30 June 2022 (six months ended 30 June 2021: 10%).

The other subsidiary of the Company applied a CIT rate of 25% for the six months ended 30 June 2022 and for the six months ended 30 June 2021.

10 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Profit for the period attributable to shareholders of the Company (<i>RMB'000</i>)	3,959	2,948
Weighted average number of ordinary shares in issue (<i>thousand</i>)	128,000	128,000
Basic and diluted earnings per share (<i>RMB cents</i>)	3.09	2.30

As the Company did not have any dilutive potential ordinary shares outstanding as at 30 June 2022 and 30 June 2021, diluted earnings per share is equal to basic earnings per share.

11 INVENTORIES

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
Raw materials	28,566	25,846
Work in progress	61,398	60,532
Finished goods	30,113	27,095
	120,077	113,473
Allowance for impairment	(3,358)	(4,505)
Net book amount	116,719	108,968

12 PROPERTIES HELD FOR SALE

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Cost	57,924	59,123
Less: allowance for impairment	<u>(12,281)</u>	<u>(12,628)</u>
Net book amount	<u>45,643</u>	<u>46,495</u>

13 TRADE AND OTHER RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade receivables		
Accounts receivable — third parties (<i>note (a)</i>)	241,760	220,159
Less: allowance for impairment of accounts receivable	<u>(55,703)</u>	<u>(49,829)</u>
Accounts receivable — net	186,057	170,330
Commercial acceptance notes (<i>note (b)</i>)	49,795	40,053
Less: allowance for impairment of commercial notes	(2,360)	(1,561)
Bank acceptance notes (<i>note (b)</i>)	<u>44,018</u>	<u>47,652</u>
Trade receivables — net	<u>277,510</u>	<u>256,474</u>
Other receivables		
Other receivables — third parties	6,827	3,650
Less: unearned financial income	<u>(300)</u>	<u>(312)</u>
Less: allowance for impairment of other receivables	<u>(501)</u>	<u>(476)</u>
Other receivables — net	<u>6,026</u>	<u>2,862</u>
Interest receivable	1,130	817
Contract assets	<u>583</u>	<u>376</u>
	<u>285,249</u>	<u>260,529</u>
Non-current portion	1,621	1,642
Current portion	<u>283,628</u>	<u>258,887</u>
	<u>285,249</u>	<u>260,529</u>

Notes:

- (a) For sales 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 30 June 2022 are such retained sums of approximately RMB56,654,000 (31 December 2021: RMB51,617,000) representing 23.4% (31 December 2021: 23.4%) 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 sales of component parts and accessories, the Group grants 30 to 90 days credit terms to certain customers in sales contracts.

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

As at 30 June 2022, notes receivable of RMB6,320,000 were pledged as security for the Group's notes payable (As at 31 December 2021 : RMB6,320,000).

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year	67,719	104,184
1–2 years	103,355	49,819
2–3 years	29,924	28,179
Over 3 years	40,762	37,977
	<u>241,760</u>	<u>220,159</u>

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

	Six months ended 30 June 2022 (Unaudited)	2021 (Unaudited)
Opening balance at 1 January	<u>51,866</u>	<u>50,039</u>
Additional allowance for impairment	6,698	3,285
Reversal of allowance for impairment	—	(35)
Receivables written off as uncollectible	—	(1,603)
Closing balance at 30 June	<u>58,564</u>	<u>51,686</u>

14 TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade payables (<i>note (a)</i>)	31,377	21,528
Notes payable (<i>note (b)</i>)	28,142	26,330
Other taxes payable	4,028	3,960
Quality warranty deposits from suppliers	2,463	2,463
Employee benefits payable	1,957	2,267
Provision for quality warranty expenses	206	240
Payables for property, plant and equipment	72	16
Others	1,321	1,936
	<u>69,566</u>	<u>58,740</u>

Notes:

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

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year	23,759	21,206
1–2 years	7,521	225
2–3 years	—	—
Over 3 years	97	97
	<u>31,377</u>	<u>21,528</u>

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

15 DIVIDENDS

No dividend was declared by the Directors of the Company for the year ended 31 December 2021.

The Directors of the Company do not recommend the declaration of a dividend in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2022, the outbreak of the COVID-19 across the country have been effectively in control due to the highly coordinated and efficient Pandemic control measures. However, the automobile industry continued to be affected by the supply chain disruptions and falling market demand. According to the data from the China Association of Automobile Manufacturers (“CAAM”), the production and sales of automobiles in the PRC in the first half of 2022 amounted to approximately 12.117 million units and approximately 12.057 million units, respectively, representing a decrease of 3.7% and 6.6%, respectively, as compared to the corresponding period last year.

During the six months ended 30 June 2022, the Group recorded revenue of RMB74.29 million, representing a decrease of 23.6% as compared to approximately RMB97.20 million for the corresponding period last year, and a net profit of RMB3.96 million, representing an increase of RMB1.01 million as compared with the corresponding period last year.

Revenue

	For the six months ended 30 June					
	2022			2021		
	<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>
Sales of brass electroplating wire production lines	3	21,206	11.4	—	—	—
Sales of other production lines	16	13,176	34.9	—	—	—
Sales of standalone machinery	173	30,827	41.5	768	84,775	87.2
Sales of mould repairing equipment, component parts and accessories	N/A	5,556	7.5	N/A	8,436	8.7
Rental income	N/A	3,522	4.7	N/A	2,784	2.9
Trading income	N/A	—	—	N/A	1,206	1.2
		<u>74,287</u>	<u>100</u>		<u>97,201</u>	<u>100</u>

Our revenue for the six months ended 30 June 2022 was approximately RMB74.3 million, representing a decrease of approximately RMB22.9 million, or approximately 23.6%, from approximately RMB97.2 million for the corresponding period of 2021.

The decrease in revenue was mainly attributable to the delay of delivery and testing of equipment to customers in the first half of 2022 as a result of the resurgence of the Pandemic.

Brass electroplating wire production lines. Revenue from the sales of brass electroplating wire production lines for the six months ended 30 June 2022 increased by approximately RMB21.2 million for the six months ended 30 June 2021.

Other production lines. Revenue from the sales of other production lines was approximately RMB13.2 million for the six months ended 30 June 2022. No revenue was generated from the sales of other production lines for the six months ended 30 June 2021.

Standalone machines. Revenue from the sales of standalone machines for the six months ended 30 June 2022 was approximately RMB30.8 million, representing a decrease of approximately 63.6% from approximately RMB84.8 million for the corresponding period of 2021. The decrease was attributable to the decrease in the sales volume of standalone machines. 173 sets of standalone machines were accepted by our customers during the six months ended 30 June 2022, while 768 sets were accepted by the customers in the corresponding period of 2021.

Mould repairing equipment, component parts and accessories. Revenue from the sales of mould repairing equipment, component parts and accessories for the six months ended 30 June 2022 was approximately RMB5.6 million, representing a decrease of approximately 34.1% from approximately RMB8.4 million for the corresponding period of 2021. The decrease was primarily attributable to the decreased sales of other component parts and accessories.

Rental income. The rental income increased by approximately RMB0.7 million, or 26.5%, to approximately RMB3.5 million for the six months ended 30 June 2022 from approximately RMB2.8 million for the corresponding period in 2021. Rental income was derived from investment properties rented to independent third parties during the six months ended 30 June 2022 and the corresponding period of 2021. As a result of the rise in rental unit price in the second half of 2021, the rental income increased as compared to that for the corresponding period in 2021.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2022 was approximately RMB16.7 million, representing a decrease of approximately 13.4% from approximately RMB19.2 million for the corresponding period of 2021. Overall gross profit margin for the six months ended 30 June 2022 and the corresponding period of 2021 were approximately 22.4% and 19.8%, respectively. The increase was due to the recognition of the revenue from the sales of brass electroplating wire production lines and other production lines, which had higher profit margins as a result of the change in product mix during the six months ended 30 June 2022.

Other income

Other income mainly represented the VAT refunds and government subsidies received by the Group. Our other income for the six months ended 30 June 2022 was approximately RMB0.7 million, representing an increase of approximately 356.2% from approximately

RMB0.2 million for the corresponding period of 2021, primarily due to the higher government subsidies associated with our intelligent manufacturing projects as at 30 June 2022.

Selling expenses

Our selling expenses for the six months ended 30 June 2022 was approximately RMB1.3 million, representing a decrease of approximately 12.9% from approximately RMB1.5 million for the corresponding period of 2021, which was primarily due to the decrease in travelling expenses under the resurgence of the Pandemic during the first half of 2022.

Administrative expenses

Our administrative expenses decreased by approximately 3.1% from approximately RMB12.2 million for the six months ended 30 June 2021 to approximately RMB11.8 million for the six months ended 30 June 2022. This was primarily due to the reduction in the professional fees.

Net allowance for impairment losses on financial assets

The Group recorded a net allowance for impairment losses on financial assets of approximately RMB6.7 million for the six months ended 30 June 2022, as compared to the net allowance for impairment losses on financial assets of approximately RMB3.3 million in the corresponding period of 2021. The increase was mainly due to the higher balance of trade receivables.

Other gains/(losses) — net

The Group recorded net other gains of approximately RMB5.3 million for the six months ended 30 June 2022, as compared to the net other losses of approximately RMB0.6 million for the corresponding period of 2021. The increase in net other gains for the six months ended 30 June 2022 was mainly due to foreign exchange gains.

Finance income

The Group recorded finance income of approximately RMB1.2 million for the six months ended 30 June 2022, as compared to the net finance income of approximately RMB1.4 million for the corresponding period of 2021. The decrease was primarily due to the decrease in bank interest income.

Income tax expense

The Group recorded income tax expense of approximately RMB0.1 million for the six months ended 30 June 2022, as compared to income tax expense of approximately RMB0.3 million for the corresponding period of 2021. The decrease in income tax expense was mainly because the Group enjoyed various preferential tax policies issued by the PRC government and applied for a number of enterprise income tax preferences.

TRADE RECEIVABLES

Our gross accounts receivable increased by approximately 8.9% from approximately RMB220.2 million as at 31 December 2021 to approximately RMB241.8 million as at 30 June 2022. The aggregate amount of notes receivable increased by 7.0% from RMB87.7 million as at 31 December 2021 to RMB93.8 million as at 30 June 2022. The allowance for trade receivables increased from approximately RMB51.4 million at as 31 December 2021 to approximately RMB58.1 million as at 30 June 2022. The increases in gross amount and allowance for trade receivables are primarily due to slower collection in general under the resurgence of the Pandemic during the first half of 2022.

INVENTORIES

Our inventories increased by approximately 7.1% from approximately RMB109.0 million as at 31 December 2021 to approximately RMB116.7 million as at 30 June 2022 mainly due to an increase in raw materials as a result of the increase in production orders.

TRADE AND NOTES PAYABLES

Our trade and notes payables increased by approximately 24.4% from approximately RMB47.9 million as at 31 December 2021 to approximately RMB59.5 million as at 30 June 2022. It was primarily due to the increase in purchase of raw materials resulting from the increase in production orders in the six months ended 30 June 2022.

CASH POSITION AND FUND AVAILABLE

During the six months ended 30 June 2022, the Group maintained a healthy liquidity position with working capital being financed by its operating cash flows.

As at 30 June 2022, the total cash and bank balances of the Group were approximately RMB176.5 million (31 December 2021: approximately RMB170.2 million), which comprised cash and cash equivalents of approximately RMB39.2 million (31 December 2021: approximately RMB33.8 million), restricted cash of approximately RMB69.4 million (31 December 2021: approximately RMB59.9 million) and time deposits of approximately RMB67.9 million (31 December 2021: approximately RMB76.5 million).

As at 30 June 2022, the current ratio of the Group was 4.7 times (31 December 2021: 5.8 times). The decrease was primarily due to the increase in trade and other payables and contract liabilities.

As at 30 June 2022, the gearing ratio of the Group (calculated as total borrowings divided by total equity) was 0% (31 December 2021: 0%) as the Group had no outstanding borrowings.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2022, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2022, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

CHARGES ON GROUP ASSETS

As at 30 June 2022, cash deposits in the amount of approximately RMB6.32 million were pledged to banks as security for notes payable and forward foreign exchange contracts. As at 31 December 2021, cash deposits in the amount of approximately RMB6.32 million were pledged to banks as security for notes payable and forward foreign exchange contracts. Save for disclosed above, the Group did not have any charges on assets as at 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

In the future, the Group will continue to implement its diversified development strategy and proactively identify potential investment opportunities.

Save as disclosed in the prospectus of the Company dated 30 October 2014 (the “**Prospectus**”) or in this announcement, the Group had no future plans for material investments and expected sources of funding as at 30 June 2022.

CAPITAL EXPENDITURES

For the six months ended 30 June 2022, the Group’s capital expenditures amounted to approximately RMB1.9 million (six months ended 30 June 2021: approximately RMB0.5 million), which mainly related to the purchase of machinery and equipment.

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 have a total gross floor area of 18,920.9 square metres for residential units and 3,331.2 square metres for ancillary facilities. The Group has an intention to sell the Properties and, accordingly, such rights 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 on 29 May 2018.

During the six months ended 30 June 2022, the Group sold 3 of the residential units at a total consideration of approximately RMB0.9 million, and the carrying value of the unsold units as at 30 June 2022 was approximately RMB45.6 million, representing 5.9% of the total assets of the Group.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had no capital expenditures contracted but not incurred (31 December 2021: Nil).

CAPITAL STRUCTURE

There was no change in the capital structure of the Group during the six months ended 30 June 2022. The capital of the Group only comprises ordinary shares.

FOREIGN CURRENCY RISK

Foreign exchange risk arises when business transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group ensures that the net exposure in foreign exchange risk is kept to an acceptable level.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB, except for certain trade receivables, cash and cash equivalents and time deposits, which are denominated in United States Dollar ("USD"). The Group is therefore exposed to foreign currency translation risk. The Group has entered into forward foreign exchange contracts of RMB against USD in an aggregate value of approximately USD6,439,000 to mitigate foreign exchange risk, including the potential exchange loss as a result of the depreciation of USD against RMB, during the six months ended 30 June 2022. The Group will continue to monitor foreign exchange changes to best preserve cash value. Although the Group entered into foreign exchange contracts with major and reputable financial institutions to manage its foreign exchange risk, it does not intend to speculate on future direction of foreign exchange fluctuations.

If the USD had strengthened/weakened by 5% against the RMB while all other variables had been held constant, the Group's net results for the six months ended 30 June 2022 would have been approximately RMB4.7 million (six months ended 30 June 2021: RMB4.5 million) better/worse, due to 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).

With a view to improving efficiency in the use of the Company's temporary idle proceeds, on the condition that the construction of the committed projects and planned usage of the proceeds for such construction will not be affected, the Board proposed to utilise part of the temporary idle proceeds to purchase wealth management products in order to increase capital revenue. The purposes are to improve the efficiency and effectiveness in the use of the Company's temporary idle raised proceeds, which will in turn further enhance the overall revenue of the Company, and to pursue better

investment return for the Company and the shareholders as a whole. For more details regarding the change of the use of net proceeds from the Listing, please refer to the announcement of the Company dated 29 March 2016 (the “**Announcement**”).

The Company will continue to apply the net proceeds from the Listing, together with the income to be generated from the wealth management products, 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 and the Announcement.

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

	Planned use of net proceeds from the Listing ^(Note 1) (HK\$ million) (approximately)	Utilised up to 30 June 2022 (HK\$ million) (approximately)	Utilised during the six months ended 30 June 2022 (HK\$ million) (approximately)	Unutilised balance up to 30 June 2022 ^(Note 2) (HK\$ million) (approximately)	Expected timeline for unused net proceeds from the Listing ^(Note 4)
Funding the construction of the New Wuxi Facility and the New Research & Development Centre	163.0	112.77	1.78	61.9	by 31 December 2024
Developing certain targeted research and development projects	25.5	26.63 ^(Note 3)	—	—	—
General working capital and other general corporate purposes	21.0	21.0	—	—	—
Total:	<u>209.50</u>	<u>160.4</u>	<u>1.78</u>	<u>61.9</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\$209.5 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 30 June 2022, the unutilised proceeds amounted to approximately HK\$61.9 million. Among the unutilised proceeds of approximately HK\$61.9 million, the unutilised proceeds, including the net proceeds of approximately HK\$50.2 million and interest from net proceeds of approximately HK\$11.7 million, were deposited in licensed banks in the PRC.
- (3) As at 30 June 2022, net proceeds of approximately HK\$25.5 million and interest therefrom of approximately HK\$1.1 million were utilised to develop certain targeted 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 Pandemic 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 view of the complicated external macroeconomic conditions as well as the fierce internal competition, the Group will make every effort to ensure the successful completion and operation of a major project in the PRC. With an estimated annual ultra-tensile fine steel cord and tyre bead wire production capacities of 1.3 million tons and 200,000 tons, respectively, this major project will become the largest framework materials producer in the PRC and will be the main task of the Group for the next few years. The Group will actively embrace new opportunities and challenges, invest in fixed assets in order to increase its production capacity, diligently ensure the quality, quantity and timely delivery of its products, vigorously pursue better internal management, properly adjust its product mix and relentlessly strive for its annual production target. It will also carry on the upgrade and replacement of existing production lines and enhance the production capacity of radial tyre cord in view of the rising customer demand for tailor-made products. Being the leading carbon steel wire production line manufacturer in the PRC, the Group will accurately capture the development trend of the steel cord industry, analyse the competition in the industry, mitigate operational and investment risk, formulate appropriate competition and investment strategies, stabilise and enhance its market share, and improve its profitability.

EMPLOYEE AND REMUNERATION INFORMATION

As at 30 June 2022, the Group employed a total of 166 full-time employees (31 December 2021: 141 full-time employees), including administrative, finance, internal audit, research and development, technical application, quality control, manufacturing, procurement, sales and marketing staff. For the six months ended 30 June 2022, the Group's total employee remuneration was approximately RMB10.9 million (six months ended 30 June 2021: approximately RMB10.5 million), representing approximately 14.7% of the Group's total revenue.

The Group places great emphasis on recruiting and training of quality personnel by providing orientation programmes to the new employees and on-going internal training to the existing employees to enhance their industrial, technical and product knowledge, their work ethics, as well as their knowledge of industry quality standards and work safety standards. Furthermore, the Group encourages its employees to take advanced courses and obtain professional certifications.

The Group is confident that its employees will continue to provide a solid foundation for the success of the Group and will maintain a high standard of service to the customers.

The Group has not experienced any disruption of its normal business operations due to labour disputes or significant turnover of staff. The Directors consider that the Group has maintained a very good relationship with its staff.

DETAILS OF OPTIONS GRANTED BY THE COMPANY

As at 30 June 2022, the Company did not have any share option scheme in force. There is no outstanding option granted by the Company as at 30 June 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to upholding a high standard of corporate governance and business ethics in the firm belief that they are essential for enhancing investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, comply with increasingly stringent regulatory requirements and fulfill its commitment to excellence in corporate governance.

The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code for corporate governance. The Board is satisfied that the Company has complied with all code provisions under the CG Code during the six months ended 30 June 2022 and up to the date of this announcement.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS

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 our Company. Upon making specific enquiries of all of the Directors and supervisors by the Company, all the Directors and supervisors of the Company confirmed that each of them had fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

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

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2022, the interests or short positions of the Directors, supervisors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “SFO”)) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, will be as follows:

(i) Interests of the Directors in the shares of the Company

Name of Director	Class of shares	Number of shares	Nature of interest	Approximate percentage in the relevant class of share capital <i>(Note 1)</i>	Approximate percentage in the total issued share capital <i>(Note 1)</i>
Mr. Zhang Degang	Domestic Shares	43,221,504	Beneficial owner	45.02%	33.77%
	Domestic Shares	34,010,496	Interest held jointly with another person <i>(Note 2)</i>	35.43%	26.57%
	Domestic Shares	4,416,000	Interest in controlled corporation <i>(Note 3)</i>	4.60%	3.45%
Mr. Zhang Deqiang	Domestic Shares	29,983,104	Beneficial owner	31.23%	23.42%
	Domestic Shares	47,248,896	Interest held jointly with another person <i>(Note 2)</i>	49.22%	36.92%
	Domestic Shares	4,416,000	Interest in controlled corporation <i>(Note 3)</i>	4.60%	3.45%
Ms. Zhang Jinghua	Domestic Shares	4,027,392	Beneficial owner	4.20%	3.15%
	Domestic Shares	77,620,608	Interest held jointly with another person <i>(Note 2)</i>	80.85%	60.64%

Notes:

- The calculation is based on the total number of 128,000,000 ordinary shares of the Company in issue as at 30 June 2021, which comprised 96,000,000 domestic shares and 32,000,000 H shares.
- Mr. Zhang Degang, Mr. Zhang Deqiang and Ms. Zhang Jinghua are persons acting in concert and accordingly each of them is deemed to be interested in the Shares held by each other. By the acting in concert agreement dated 26 July 2013, each of Mr. Zhang Degang, Mr. Zhang Deqiang and Ms. Zhang Jinghua confirmed that they have exercised their voting rights at the meetings of the shareholders and/or directors of the members of the Group in unanimity since the establishment of 江陰三知工控機械有限公司 (Jiangyin Sanzhi Gongkong Machinery Company Limited*) on 17 April 2009, and will continue to do so.
- Mr. Zhang Degang and Mr. Zhang Deqiang are two of the general partners of 無錫順欣投資企業 (有限合夥) (Wuxi Shunxin Investment Enterprise (Limited Partnership)*) (“Shunxin”) and are therefore deemed to be interested in the shares held by Shunxin.

Save as disclosed above, as at 30 June 2022, none of the Directors, supervisors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2022, no persons or corporations (other than the Directors, chief executive or supervisors of the Company) had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

DIRECTORS' MATERIAL INTEREST IN CONTRACTS

Save as disclosed in the Prospectus or above, no Director had any material interests in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2022.

COMPETING BUSINESS

During the six months ended 30 June 2022, the Directors were not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

DIVIDENDS

The Board resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

AUDIT COMMITTEE

The Audit Committee has held meetings to discuss the risk management, internal control systems and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022. The interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 in this announcement has not been audited or reviewed by the auditor of the Company but has been reviewed by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

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

IMPORTANT EVENTS AFTER REPORTING PERIOD

There is no significant events occurred subsequent to 30 June 2022 and up to the date of this announcement which requires disclosure.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.wxsunlit.com). The interim report for the six months ended 30 June 2022 containing all relevant information required by Appendix 16 to the Listing Rules 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, 26 August 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Degang, Mr. Zhang Deqiang and Ms. Feng Lili, the non-executive Director is Ms. Zhang Jinghua, and the independent non-executive Directors are Mr. Leung Yiu Cho, Mr. Yu Jianfeng and Mr. Zhong Ruifeng.

* *For identification purpose only*