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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 2023**

**FINANCIAL HIGHLIGHTS**

|  | Six months ended 30 June |                   |        |
|--|--------------------------|-------------------|--------|
|  | 2023<br>(RMB'000)        | 2022<br>(RMB'000) | Change |
| Revenue  | 53,076                   | 74,287            | -28.6% |
| Gross profit   | 17,161                   | 16,654            | 3.0%   |
| Profit before income tax   | 9,736                    | 4,029             | 141.6% |
| Profit for the period  | 7,928                    | 3,959             | 100.3% |
| Profit for the period attributable to shareholders of the Company                                      | 7,928                    | 3,959             | 100.3% |
| Earnings per share attributable to shareholders of the Company for the period (expressed in RMB cents) |                          |                   |        |
| — Basic and diluted  | 6.19                     | 3.09              | 100.3% |

**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 2023, together with the comparative figures for the corresponding period in 2022. 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)*

|   |             | <b>Six months ended 30 June</b> |                  |
|---|-------------|---------------------------------|------------------|
|   |             | <b>2023</b>                     | <b>2022</b>      |
|   | <i>Note</i> | <b>Unaudited</b>                | <b>Unaudited</b> |
| Revenue   | 4           | <b>53,076</b>                   | 74,287           |
| Cost of sales   | 5           | <b>(35,915)</b>                 | (57,633)         |
| <b>Gross profit</b>   |             | <b>17,161</b>                   | 16,654           |
| Selling expenses  | 5           | <b>(1,256)</b>                  | (1,315)          |
| Administrative expenses   | 5           | <b>(15,686)</b>                 | (11,828)         |
| Net allowance of impairment losses on financial assets  |             | <b>(5,074)</b>                  | (6,698)          |
| Other income  |             | <b>173</b>                      | 739              |
| Other gains — net   | 6           | <b>11,574</b>                   | 5,296            |
| <b>Operating profit</b>   |             | <b>6,892</b>                    | 2,848            |
| Finance income  |             | <b>2,844</b>                    | 1,181            |
| <b>Profit before income tax</b>   |             | <b>9,736</b>                    | 4,029            |
| Income tax expense  | 7           | <b>(1,808)</b>                  | (70)             |
| <b>Profit for the period attributable to shareholders of the Company</b>                                      |             | <b>7,928</b>                    | 3,959            |
| <b>Earnings per share attributable to shareholders of the Company for the period (expressed in RMB cents)</b> |             |                                 |                  |
| — Basic and diluted earnings per share  | 8           | <b>6.19</b>                     | 3.09             |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*(All amounts in RMB thousands unless otherwise stated)*

|  | <b>Six months ended 30 June</b> |                     |
|--|---------------------------------|---------------------|
|  | <b>2023</b>                     | <b>2022</b>         |
|  | <b>Unaudited</b>                | <b>Unaudited</b>    |
| <b>Profit for the period</b>   | <b>7,928</b>                    | <b>3,959</b>        |
| <b>Other comprehensive income</b>  | <b>—</b>                        | <b>—</b>            |
| <b>Total comprehensive income for the period attributable to shareholders of the Company</b> | <b><u>7,928</u></b>             | <b><u>3,959</u></b> |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

|                                  |             | 30 June<br>2023       | 31 December<br>2022   |
|----------------------------------|-------------|-----------------------|-----------------------|
|                                  | <i>Note</i> | Unaudited             | Audited               |
| <b>ASSETS</b>                    |             |                       |                       |
| <b>Non-current assets</b>        |             |                       |                       |
| Right-of-use assets              |             | 20,888                | 21,195                |
| Property, plant and equipment    |             | 90,384                | 91,708                |
| Investment properties            |             | 16,550                | 20,605                |
| Intangible assets                |             | 117                   | 13                    |
| Trade and other receivables      |             | 1,279                 | 1,443                 |
| Contract assets                  |             | —                     | 1,965                 |
| Deferred income tax assets — net |             | 13,837                | 13,489                |
|                                  |             | <u>143,055</u>        | <u>150,418</u>        |
| <b>Current assets</b>            |             |                       |                       |
| Inventories                      | 9           | 256,703               | 196,474               |
| Properties held for sale         |             | 42,907                | 43,554                |
| Prepayments                      |             | 2,543                 | 12,001                |
| Trade and other receivables      | 10          | 252,676               | 240,925               |
| Contract assets                  |             | 17,551                | 20,523                |
| Restricted cash                  |             | 66,902                | 108,617               |
| Time deposits                    |             | 91,150                | 59,970                |
| Cash and cash equivalents        |             | 112,329               | 113,250               |
|                                  |             | <u>842,761</u>        | <u>795,314</u>        |
| <b>Total assets</b>              |             | <u><u>985,816</u></u> | <u><u>945,732</u></u> |
| <b>EQUITY</b>                    |             |                       |                       |
| Share capital                    |             | 128,000               | 128,000               |
| Share premium                    |             | 311,464               | 311,464               |
| Reserves                         |             | 69,325                | 66,282                |
| Retained earnings                |             | 143,514               | 148,869               |
| <b>Total equity</b>              |             | <u><u>652,303</u></u> | <u><u>654,615</u></u> |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

|                                     |             | <b>30 June</b>        | 31 December    |
|-------------------------------------|-------------|-----------------------|----------------|
|                                     |             | <b>2023</b>           | 2022           |
|                                     | <i>Note</i> | <b>Unaudited</b>      | Audited        |
| <b>LIABILITIES</b>                  |             |                       |                |
| <b>Current liabilities</b>          |             |                       |                |
| Trade and other payables            | 11          | <b>144,923</b>        | 171,181        |
| Contract liabilities                |             | <b>176,292</b>        | 117,414        |
| Current income tax liabilities      |             | <b>2,058</b>          | 522            |
| Dividend payables                   |             | <b>10,240</b>         | —              |
| Borrowings                          |             | —                     | 2,000          |
|                                     |             | <u><b>333,513</b></u> | <u>291,117</u> |
| <b>Total liabilities</b>            |             | <u><b>333,513</b></u> | <u>291,117</u> |
| <b>Total equity and liabilities</b> |             | <u><b>985,816</b></u> | <u>945,732</u> |

## 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 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 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

### 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 2022, as described in those annual financial statements.

- (a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- (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 2023.

| Standards/Amendments/Interpretation                 | Subject  |
|---|--|
| HKFRS 17 and Amendments to HKFRS 17                 | Insurance Contracts (including Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information)  |
| Amendments to HKAS 8                                | Definition of Accounting Estimates   |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies  |
| HKAS 12 and Amendments to HKAS 12                   | Deferred Tax related to Assets and Liabilities arising from a Single Transaction (including International Tax Reform — Pillar Two Model Rules) |

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

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

The following new standards and amendments and interpretation to standards have been issued but are not effective for the financial year beginning 1 January 2023 and have not been early adopted by the Group:

| Standards/Amendments/Interpretation  | Subject   | Effective for annual years beginning on or after |
|--------------------------------------|---|--|
| Amendments to HKAS 1                 | Classification of Liabilities as Current or Non-current   | 1 January 2024                                   |
| Amendments to HKAS 1                 | Non-current Liabilities with Covenants  | 1 January 2024                                   |
| Amendment to HKAS 16                 | Lease Liability in a Sale and Leaseback   | 1 January 2024                                   |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2024                                   |
| Amendments to HKAS 7 and HKFRS 7     | Supplier Finance Arrangements   | 1 January 2024                                   |
| 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 directors of the Company. The CODM regards the Group’s business as a single operating segment and reviews the financial statements accordingly.

The Group is principally engaged in the manufacturing and sale of a range of equipment for manufacturing steel wire products and leasing. Revenue from sales of goods and rental income for the six months ended 30 June 2023 and 2022 are as follows:

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2023                     | 2022          |
| Sales of production lines   |                          |               |
| — Brass electroplating wire production lines                              | 5,929                    | 21,206        |
| — Other production lines  | 590                      | 13,176        |
| Sales of standalone machines  | 36,241                   | 30,827        |
| Sales of other mould repairing equipment, component parts and accessories | 7,978                    | 5,556         |
| Rental income   | 2,338                    | 3,522         |
|   | <u>53,076</u>            | <u>74,287</u> |

The Group mainly operates its business within Mainland China. For the six months ended 30 June 2023 and 2022, the geographical information on the total revenue is as follows:

|                  | Six months ended 30 June |               |
|------------------|--------------------------|---------------|
|                  | 2023                     | 2022          |
| Revenue          |                          |               |
| — Mainland China | 52,014                   | 67,665        |
| — Others         | 1,062                    | 6,622         |
|                  | <u>53,076</u>            | <u>74,287</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 |                  |
|-----------|--------------------------|------------------|
|           | 2023                     | 2022             |
| Company A | 28,120                   | 12,165           |
| Company B | 9,015                    | N/A <sup>1</sup> |
| Company C | 5,993                    | 12,760           |
| Company D | N/A <sup>1</sup>         | 18,666           |
| Company E | N/A <sup>1</sup>         | 8,534            |
|           | <u>53,076</u>            | <u>74,287</u>    |

<sup>1</sup> The corresponding revenue did not contribute 10% or more of the Group’s total revenue.



## 5 EXPENSES BY NATURE

|  | Six months ended 30 June |                      |
|--|--------------------------|----------------------|
|  | 2023                     | 2022                 |
| Changes in inventories of finished goods and work in progress            | (79,600)                 | (4,717)              |
| Raw materials used   | 99,644                   | 50,212               |
| Employee benefit expenses  | 14,810                   | 10,905               |
| Depreciation and amortisation  | 5,569                    | 5,170                |
| Outsourced installation fee  | 3,731                    | 2,815                |
| Inventory impairment   | 1,599                    | —                    |
| Other tax charges  | 1,477                    | 1,735                |
| Entertainment expenses   | 897                      | 870                  |
| Professional fees  | 774                      | 554                  |
| Office expenses  | 772                      | 526                  |
| Transportation expenses  | 624                      | 653                  |
| Travelling expenses  | 619                      | 599                  |
| Auditor's remuneration   | 472                      | 472                  |
| Other expenses   | 1,469                    | 982                  |
|  | <u>52,857</u>            | <u>70,776</u>        |
| <b>Total cost of sales, selling expenses and administrative expenses</b> | <b><u>52,857</u></b>     | <b><u>70,776</u></b> |

## 6 OTHER GAINS — NET

|  | Six months ended 30 June |                     |
|--|--------------------------|---------------------|
|  | 2023                     | 2022                |
| Gains on disposal of investment properties ( <i>note (a)</i> )               | 5,934                    | —                   |
| Gains on disposal of property, plant and equipment ( <i>note (a)</i> )       | 2,508                    | —                   |
| Foreign exchange gains — net   | 2,775                    | 5,100               |
| Fair value gains on financial assets at fair value through<br>profit or loss | 83                       | 87                  |
| Fair value gains on derivative financial instruments                         | —                        | 98                  |
| Others   | 274                      | 11                  |
|  | <u>11,574</u>            | <u>5,296</u>        |
|  | <b><u>11,574</u></b>     | <b><u>5,296</u></b> |

*Note:*

- (a) On 31 January 2023, Wuxi Haisheng Software Technology Co., Ltd. (“**Haisheng Software**”) entered into an agreement with a local government authority and disposed a building for a total consideration of RMB13,085,000. The gains on disposal of investment property and property, plant and equipment are RMB5,934,000 and RMB2,515,000 separately.

## 7 INCOME TAX EXPENSE

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2023                     | 2022      |
| Current income tax — PRC corporate income tax | 2,156                    | 102       |
| Deferred income tax                           | (348)                    | (32)      |
| <b>Income tax expense</b>                     | <b>1,808</b>             | <b>70</b> |

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 2023 (six months ended 30 June 2022: 15%).

Haisheng Software was qualified as the Small and Micro Enterprise, the taxable profit less than RMB1 million applied a reduced CIT rate of 2.5%, the taxable profit between RMB1 million and RMB3 million applied a reduced CIT rate of 5% for the six months ended 30 June 2022. Haisheng Software was not qualified as the Small and Micro Enterprise and applied 25% CIT rate for the six months ended 30 June 2023.

The other subsidiary of the Company applied a CIT rate of 25% for the six months ended 30 June 2023 and for the six months ended 30 June 2022.

## 8 EARNINGS PER SHARE

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

|  | Six months ended 30 June |         |
|--|--------------------------|---------|
|  | 2023                     | 2022    |
| Profit for the period attributable to shareholders of the Company<br>(RMB'000) | 7,928                    | 3,959   |
| Weighted average number of ordinary shares in issue (thousand)                 | 128,000                  | 128,000 |
| Basic and diluted earnings per share (RMB cents per share)                     | 6.19                     | 3.09    |

As the Company did not have any dilutive potential ordinary shares outstanding as at 30 June 2023 and 30 June 2022, diluted earnings per share is equal to basic earnings per share.

## 9 INVENTORIES

|                          | 30 June<br>2023       | 31 December<br>2022   |
|--------------------------|-----------------------|-----------------------|
| Raw materials            | 71,649                | 89,425                |
| Work in progress         | 172,721               | 91,856                |
| Finished goods           | <u>17,027</u>         | <u>18,775</u>         |
| Cost                     | <u><u>261,397</u></u> | <u><u>200,056</u></u> |
| Allowance for impairment | <u>(4,694)</u>        | <u>(3,582)</u>        |
| Net book amount          | <u><u>256,703</u></u> | <u><u>196,474</u></u> |

## 10 TRADE AND OTHER RECEIVABLES

|   | 30 June<br>2023       | 31 December<br>2022   |
|---|-----------------------|-----------------------|
| <b>Trade receivables</b>                                      |                       |                       |
| Accounts receivable — third parties ( <i>note (a)</i> )       | 244,378               | 216,915               |
| Less: allowance for impairment of accounts receivable         | <u>(57,288)</u>       | <u>(52,239)</u>       |
| Accounts receivable — net                                     | <u>187,090</u>        | <u>164,676</u>        |
| Commercial acceptance notes ( <i>note (b)</i> )               | 43,768                | 43,495                |
| Less: allowance for impairment of commercial acceptance notes | <u>(1,884)</u>        | <u>(2,042)</u>        |
| Commercial acceptance notes — net ( <i>note (b)</i> )         | 41,884                | 41,453                |
| Bank acceptance notes ( <i>note (b)</i> )                     | <u>22,193</u>         | <u>33,457</u>         |
| Trade receivables — net                                       | <u>251,167</u>        | <u>239,586</u>        |
| <b>Other receivables</b>                                      |                       |                       |
| Other receivables — third parties                             | 3,991                 | 3,503                 |
| Less: unearned financial income                               | (220)                 | (254)                 |
| Less: allowance for impairment of other receivables           | <u>(983)</u>          | <u>(467)</u>          |
| Other receivables — net                                       | <u>2,788</u>          | <u>2,782</u>          |
|   | <u><u>253,955</u></u> | <u><u>242,368</u></u> |
| Non-current portion   | 1,279                 | 1,443                 |
| Current portion   | <u>252,676</u>        | <u>240,925</u>        |
|   | <u><u>253,955</u></u> | <u><u>242,368</u></u> |

*Notes:*

- (a) For sale of production lines, standalone machines and equipment, apart from the portion of product quality warranty, the Group grants less than 180 days credit terms to customers in the sales contract. For sale of components parts and accessories, the Group grants 30 to 90 days credit terms to certain customers in sales contract.
- (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 2023, notes receivables of RMB4,000,000 were pledged as security for the Group's notes payable (31 December 2022 : RMB9,610,000).

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

|               | <b>30 June<br/>2023</b> | 31 December<br>2022 |
|---------------|-------------------------|---------------------|
| Within 1 year | 67,829                  | 66,447              |
| 1–2 years     | 45,179                  | 75,971              |
| 2–3 years     | 89,770                  | 38,029              |
| Over 3 years  | 41,600                  | 36,468              |
|               | <u>244,378</u>          | <u>216,915</u>      |

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

|                                     | <b>Six months ended 30 June</b> |               |
|-------------------------------------|---------------------------------|---------------|
|                                     | <b>2023</b>                     | 2022          |
| <b>Opening balance at 1 January</b> | <b>54,748</b>                   | 51,866        |
| Net impairment losses               | 5,407                           | 6,698         |
|                                     | <u>60,155</u>                   | <u>58,564</u> |

## 11 TRADE AND OTHER PAYABLES

|  | 30 June<br>2023 | 31 December<br>2022 |
|--|-----------------|---------------------|
| Notes payable ( <i>note (a)</i> )          | 82,460          | 70,801              |
| Trade payables ( <i>note (b)</i> )         | 51,892          | 86,765              |
| Employee benefits payable                  | 2,533           | 2,453               |
| Quality warranty deposits from suppliers   | 2,472           | 2,508               |
| Payables for property, plant and equipment | 1,918           | 1,522               |
| Other taxes payable                        | 1,594           | 4,551               |
| Provision for quality warranty expenses    | 274             | 304                 |
| Others                                     | 1,780           | 2,277               |
|  | <u>144,923</u>  | <u>171,181</u>      |

*Notes:*

- (a) The notes payable is secured by pledge of cash deposits to banks.
- (b) The aging analysis of the trade payables is as follows:

|               | 30 June<br>2023 | 31 December<br>2022 |
|---------------|-----------------|---------------------|
| Within 1 year | 50,846          | 82,843              |
| 1–2 years     | 973             | 3,606               |
| 2–3 years     | 14              | 219                 |
| Over 3 years  | 59              | 97                  |
|               | <u>51,892</u>   | <u>86,765</u>       |

## 12 DIVIDENDS

A final dividend in respect of the year ended 31 December 2022 of RMB0.08 per share, amounting to a total dividend of RMB10,240,000 was approved by the shareholders at the Annual General Meeting on 9 June 2023. The dividend has been paid on 17 July 2023.

The directors of the Company do not recommend the declaration of a dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

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 2023 amounted to 13.248 million units and 13.239 million units, respectively, representing increases of 9.3% and 9.8%, respectively, as compared to the corresponding period of last year.

Attributable to the increases in automobile production and sales, the tyre industry witnessed a stable recovery in demand. During the period, the Group continued to focus on its investment in research and development in order to provide customers with highly intelligent equipment, thereby maintaining its leading position in the industry in terms of innovation.

Total production of the Group in China for the first half of the year amounted to RMB140 million. The Group’s performance for the period was to a certain extent affected by the fact that a number of customers have not completed the final commissioning and acceptance of the delivered equipment. For the period ended 30 June 2023, revenue of the Group decreased by 28.6% to RMB53.08 million from RMB74.29 million for the corresponding period last year. Net profit of the Group for the period ended 30 June 2023 increased by RMB3.97 million to RMB7.93 million as compared to that for the corresponding period of last year.

### Revenue

|   | For the six months ended 30 June |                |              |                               |                |              |
|---|----------------------------------|----------------|--------------|-------------------------------|----------------|--------------|
|   | 2023                             |                |              | 2022                          |                |              |
|   | <i>Unit(s)</i><br><i>sold</i>    | <i>RMB’000</i> | <i>%</i>     | <i>Unit(s)</i><br><i>sold</i> | <i>RMB’000</i> | <i>%</i>     |
| Sales of brass electroplating wire production lines                 | 1                                | 5,929          | 11.2         | 3                             | 21,206         | 11.4         |
| Sales of other production lines                                     | 1                                | 590            | 1.1          | 16                            | 13,176         | 34.9         |
| Sales of standalone machinery                                       | 202                              | 36,241         | 68.3         | 173                           | 30,827         | 41.5         |
| Sales of mould repairing equipment, component parts and accessories | N/A                              | 7,978          | 15.0         | N/A                           | 5,556          | 7.5          |
| Rental income   | N/A                              | 2,338          | 4.4          | N/A                           | 3,522          | 4.7          |
|   |                                  | <u>53,076</u>  | <u>100.0</u> |                               | <u>74,287</u>  | <u>100.0</u> |

Our revenue for the six months ended 30 June 2023 was RMB53.1 million, representing a decrease of RMB21.2 million, or approximately 28.6%, from RMB74.3 million for the corresponding period of 2022.

The decrease in revenue was mainly attributable to the delay of delivery of equipment to customers in the first half of 2023 due to that a customer did not have insufficient space for storage of the equipments.

***Brass electroplating wire production lines.*** Revenue from the sales of brass electroplating wire production lines for the six months ended 30 June 2023 decreased by RMB15.3 million as compared with the six months ended 30 June 2022 due to decrease of sales volume.

***Other production lines.*** Revenue from the sales of other production lines amounted to RMB0.6 million for the six months ended 30 June 2023, representing a decrease of 95.5% as compared with RMB13.2 million for the corresponding period in last year. The decrease was primarily attributable to the decrease in total volume of other production lines.

***Standalone machines.*** Revenue from the sales of standalone machines for the six months ended 30 June 2023 was RMB36.2 million, representing an increase of approximately 17.6% from RMB30.8 million for the corresponding period in 2022. The increase was attributable to the increase in the sales volume of standalone machines. 202 sets of standalone machines were accepted by our customers during the six months ended 30 June 2023, while 173 sets were accepted by the customers for the corresponding period in 2022.

***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 2023 was RMB8.0 million, representing an increase of approximately 43.6% from RMB5.6 million for the corresponding period in 2022.

***Rental income.*** The rental income decreased by RMB1.2 million, or 33.6%, to RMB2.3 million for the six months ended 30 June 2023 from RMB3.5 million for the corresponding period in 2022. Such decrease was primarily due to the recovery of certain investment properties and the disposal of a building, which was rented out from a subsidiary of the Company, namely Haisheng Software.

### **Gross profit and gross profit margin**

Gross profit for the six months ended 30 June 2023 amounted to RMB17.2 million, representing an increase of approximately 3.0% from RMB16.7 million for the corresponding period in 2022. Overall gross profit margin for the six months ended 30 June 2023 and 2022 were approximately 32.3% and 22.4%, respectively. Such increase in gross profit margin was mainly due to a change in the revenue mix, with a higher share of gross profit revenue from the sales of standalone machines.

### **Administrative expenses**

Our administrative expenses amounted to RMB15.7 million, representing an increase of RMB3.9 million as compared with RMB11.8 million for the corresponding period in 2022. This was mainly attributable to the increased investment in research and development projects.

### **Net allowance of impairment losses on financial assets**

The Group recorded a net allowance of impairment losses on financial assets of RMB5.1 million for the six months ended 30 June 2023, which was primarily due to the increase in account receivables, from 16.5 million as at 31 December 2022 to 18.7 million as at 30 June 2023.

### **Other gains — net**

The Group recorded net other gains of RMB11.6 million for the six months ended 30 June 2023, as compared to the net other gains of RMB5.3 million for the corresponding period in 2022. The increase in net other gains was mainly due to the gains on the disposal of a building from a subsidiary of the Company, namely Haisheng Software.

### **Finance income**

The Group recorded finance income of RMB2.8 million for the six months ended 30 June 2023, as compared to the finance income of RMB1.2 million for the corresponding period in 2022. The increase was primarily due to the increase in bank interest income.

### **Income tax expense**

The Group recorded income tax expense of RMB1.8 million for the six months ended 30 June 2023, as compared to income tax expense of RMB0.1 million for the corresponding period in 2022. The increase in income tax expense was mainly because Haisheng Software, a subsidiary of the Group, was not qualified as the Small and Micro Enterprise and applied a 25% CIT rate during this period.

### **Contract assets and trade receivables**

Contract assets are the portions of product quality warranty which satisfied the performance obligation but without the right to collect consideration. As at 30 June 2023, contract assets amounted to RMB17.6 million, representing a decrease of 22.0% as compared with that of RMB22.5 million as at 31 December 2022, which was mainly due to the increase of collection upon the expiry of product quality warranty period.

As at 30 June 2023, trade receivables amounted to RMB251.2 million, representing an increase of 4.8% as compared with that of RMB239.6 million as at 31 December 2022, which was primarily attributable to the slow-down in collection of receivables of the Group.



## **INVENTORIES**

Our inventories increased by approximately 30.7% from RMB196.5 million as at 31 December 2022 to RMB256.7 million as at 30 June 2023 mainly due to an increase in work in progress products as a result of (i) the increase in production orders; and (ii) the delay of delivery and testing of equipment to customers.

## **TRADE AND NOTES PAYABLES**

As at 30 June 2023, trade and note payables amounted to RMB134.4 million, representing a decrease of 14.7% as compared with that of RMB157.6 million as at 31 December 2022, which was primarily attributable to the decreased procurement amount in this period.

## **CASH POSITION AND FUND AVAILABLE**

During the six months ended 30 June 2023, the Group maintained a healthy liquidity position with working capital being financed by its operating cash flows.

As at 30 June 2023, the total cash and bank balances of the Group amounted to RMB270.3 million (31 December 2022: RMB281.9 million), which comprised cash and cash equivalents of RMB112.3 million (31 December 2022: RMB113.3 million), restricted cash of RMB66.9 million (31 December 2022: RMB108.6 million) and time deposits of RMB91.2 million (31 December 2022: RMB60.0 million).

As at 30 June 2023, the current ratio of the Group was 2.5 times (31 December 2022: 2.7 times). The decrease was primarily due to the increase in contract liabilities.

As at 30 June 2023, the gearing ratio of the Group (calculated as total borrowings divided by total equity) was 0% as the Group had no outstanding borrowings. The gearing ratio of the Group was 0.3% as at 31 December 2022.

## **SIGNIFICANT INVESTMENTS**

During the six months ended 30 June 2023, the Group did not have any significant investments.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS**

On 31 January 2023, Haisheng Software entered into an agreement with a purchaser, pursuant to which Haisheng Software agreed to sell, and the purchaser agreed to purchase a building for a total consideration of RMB13,085,000. The Group recorded a gain of RMB8,449,000 for the disposal of the building in the year ended 30 June 2023.

Save as disclosed herein, during the six months ended 30 June 2023, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2023, the cash deposits in the amount of RMB66.9 million (31 December 2022: RMB108.6 million) and notes receivable in amount of RMB4.0 million (31 December 2022: RMB9.6 million) were pledged to banks as security for notes payable and letter of guarantee. Save as disclosed above, the Group did not have any charges on assets as at 30 June 2023.

## **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 2023.

## **CAPITAL EXPENDITURES**

For the six months ended 30 June 2023, the Group’s capital expenditures amounted to RMB4.7 million (six months ended 30 June 2022: RMB1.9 million), which mainly relates 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 2023, the Group sold 2 of the residential units at a total consideration of approximately RMB0.6 million, and the carrying value of the unsold units as at 30 June 2023 was approximately RMB42.9 million, representing 4.4% of the total assets of the Group.

## CAPITAL COMMITMENTS

As at 30 June 2023, the Group had RMB0.8 million capital expenditures contracted but not incurred (31 December 2022: RMB2.9 million).

## CAPITAL STRUCTURE

There was no change in the capital structure of the Group during the six months ended 30 June 2023. The capital of the Group only comprises ordinary shares.

## FOREIGN CURRENCY RISK

Foreign exchange risk arises when business transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB, except that certain trade receivables and bank deposits are denominated in US dollar ("USD") which are exposed to foreign currency exchange risk.

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 2023 would have been approximately RMB3.2 million (six months ended 30 June 2022: RMB4.7 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:

|  | Planned use of<br>net proceeds from<br>the Listing <i>(Note 1)</i><br><i>(HK\$ million)</i><br><i>(approximately)</i> | Utilised up to<br>30 June 2023<br><i>(HK\$ million)</i><br><i>(approximately)</i> | Utilised during<br>the six months<br>ended<br>30 June 2023<br><i>(HK\$ million)</i><br><i>(approximately)</i> | Unutilised<br>balance up to<br>30 June 2023 <i>(Note 2)</i><br><i>(HK\$ million)</i><br><i>(approximately)</i> | Expected timeline<br>for unused net<br>proceeds from<br>the Listing <i>(Note 4)</i> |
|--|---|---|---|--|---|
| Funding the construction of<br>the New Wuxi Facility and<br>the New Research & Development<br>Centre | 163.0   | 133.7   | 4.1   | 42.3   | by 31 December<br>2024  |
| Developing certain targeted research<br>and development projects                                     | 25.5  | 26.6 <i>(Note 3)</i>  | —   | —  | —   |
| General working capital and other<br>general corporate purposes                                      | 21.0  | 21.0  | —   | —  | —   |
| Total:   | <u>209.5</u>  | <u>181.3</u>  | <u>4.1</u>  | <u>42.3</u>  |   |

*Notes:*

- (1) The net proceeds allocated have been adjusted and recalculated with reference to (1) 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 (2) the percentage of the use of proceeds allocated to each of the purposes as disclosed in the Prospectus.
- (2) As at 30 June 2023, the unutilised proceeds amounted to approximately HK\$42.33 million. Among the unutilised proceeds of approximately HK\$42.30 million, the unutilised proceeds, including the net proceeds of HK\$29.34 million and interest from net proceeds of HK\$12.99 million, were deposited in licensed banks in the PRC.
- (3) Net proceeds of HK\$25.5 million and interest therefrom of HK\$1.1 million have been 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 for the construction of the New Wuxi Facility and the New Research and Development Centre as a result of the outbreak of Pandemic, which 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**

As car ownership rises and generates demand for the downstream tyre industry, the tyre replacement market will also expand. As such, the production of tyres in China will continue to increase and drive the market demand in the upstream tyre carcass industry. The Group is not only a player in the upstream segment of the tyre industry chain, but also a leading domestic quality carbon steel wire production line manufacturer. With years of experience in the industry, it will continue to step up its investment in technological development, replace and upgrade existing production lines, optimise its products and the technology and efficiency of its production process, enhance the production capacity of radial tyre cord, satisfy new requirements of customers in a timely manner, improve customer service, secure existing domestic market and expand into overseas markets, reinforce and enlarge its market share, increase its profitability and strive to protect the interests of its shareholders.

## **EMPLOYEE AND REMUNERATION INFORMATION**

As at 30 June 2023, the Group employed a total of 185 full-time employees (31 December 2022: 192 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 2023, the Group's total employee remuneration was approximately RMB14.8 million (six months ended 30 June 2022: approximately RMB10.9 million), representing approximately 27.9% 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 2023, the Company did not have any share option scheme in force. There is no outstanding option granted by the Company as at 30 June 2023.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: 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 2023 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 2023.

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 2023, 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 | 34,821,504       | Beneficial owner  | 36.27%  | 27.21%   |
|                   | Domestic Shares | 42,410,496       | Interest held jointly with another person <i>(Note 2)</i> | 44.18%  | 33.13%   |
|                   | 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 | 12,427,392       | Beneficial owner  | 12.95%  | 9.71%  |
|                   | Domestic Shares | 69,220,608       | Interest held jointly with another person <i>(Note 2)</i> | 72.10%  | 54.08%   |

#### Notes:

- The calculation is based on the total number of 128,000,000 ordinary shares of the Company in issue as at 30 June 2023, 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 2023, 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 2023, 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 2023.

## **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 2023.

## **COMPETING BUSINESS**

During the six months ended 30 June 2023, 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 proposal for the payment of a final dividend of RMB0.08 per Share (before tax) totalling RMB10.24 million (before tax) for the year ended 31 December 2022 to the shareholders was approved at the Annual General Meeting. The 2022 final dividend was paid on 17 July 2023.



The Directors have resolved not to recommend any interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023. The interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 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 2023 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](http://www.hkex.com.hk)) and the Company ([www.wxsunlit.com](http://www.wxsunlit.com)). The interim report for the six months ended 30 June 2023 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, 29 August 2023

*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