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無錫盛力達科技股份有限公司

Wuxi Sunlit Science and Technology Company Limited*

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 1289)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

Financial Highlights	For the year ended		Change
	31 December 2022	2021	
Revenue (<i>RMB million</i>)	208.0	167.0	24.5%
Gross profit (<i>RMB million</i>)	47.5	35.6	33.3%
Profit before income tax (<i>RMB million</i>)	23.4	4.2	459.9%
Profit for the year (<i>RMB million</i>)	22.6	4.7	379.8%
Profit attributable to shareholders of the Company (<i>RMB million</i>)	22.6	4.7	379.8%
Basic and diluted earnings per share (<i>RMB cents</i>)	17.66	3.68	379.8%

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of 無錫盛力達科技股份有限公司 (Wuxi Sunlit Science and Technology Company Limited*) (the “**Company**” or “**Sunlit**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Year**”).

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

		Year ended 31 December	
	Note	2022	2021
Revenue	3	208,048	167,045
Cost of sales	4	<u>(160,567)</u>	<u>(131,420)</u>
Gross profit		47,481	35,625
Selling expenses	4	(2,478)	(2,558)
Administrative expenses	4	(29,677)	(27,723)
Net impairment losses on financial and contract assets		(4,284)	(3,416)
Other income	5	1,232	941
Other gain/(losses) — net	6	<u>8,167</u>	<u>(1,337)</u>
Operating profit		20,441	1,532
Finance income	7	<u>2,925</u>	<u>2,641</u>
Profit before income tax		23,366	4,173
Income tax (expense)/credit	8	<u>(762)</u>	<u>538</u>
Profit for the year attributable to equity shareholders of the Company		<u>22,604</u>	<u>4,711</u>
Earnings per share attributable to equity shareholders of the Company for the year (expressed in RMB cents)			
—Basic and diluted	9	<u>17.66</u>	<u>3.68</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Year ended 31 December	
	2022	2021
Profit for the year	22,604	4,711
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income for the year attributable to equity shareholders of the Company	<u>22,604</u>	<u>4,711</u>

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

		As at 31 December	
	Note	2022	2021
ASSETS			
Non-current assets			
Right-of-use assets		21,195	17,957
Property, plant and equipment		91,708	73,340
Investment properties		20,605	37,507
Intangible assets		13	32
Contract asset, trade and other receivables	10	3,408	1,642
Deferred income tax assets — net		13,489	13,813
		<u>150,418</u>	<u>144,291</u>
Current assets			
Inventories	11	196,474	108,968
Properties held for sale	12	43,554	46,495
Prepayments		12,001	3,936
Contract asset, trade and other receivables	10	261,448	258,887
Derivative financial instruments		—	227
Restricted cash		108,617	59,875
Time deposits		59,970	76,459
Cash and cash equivalents		113,250	33,817
		<u>795,314</u>	<u>588,664</u>
Total assets		<u><u>945,732</u></u>	<u><u>732,955</u></u>
EQUITY			
Share capital		128,000	128,000
Share premium		311,464	311,464
Reserves		66,282	66,599
Retained earnings		148,869	125,948
Total equity		<u><u>654,615</u></u>	<u><u>632,011</u></u>

	<i>Note</i>	As at 31 December	
		2022	2021
LIABILITIES			
Current liabilities			
Trade and other payables	13	171,181	58,539
Contract liabilities		117,414	42,204
Current income tax liabilities		522	201
Borrowings		2,000	—
		<u>291,117</u>	<u>100,944</u>
Total liabilities		<u>291,117</u>	<u>100,944</u>
Total equity and liabilities		<u>945,732</u>	<u>732,955</u>

NOTES TO FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION OF THE GROUP

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

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

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

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 consolidated 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 year ended 31 December 2022.

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

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 24 March 2023.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

Standards/Amendments/ Interpretation	Subject
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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

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

The following new standards, amendments and interpretation to standards have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group:

Standards/Amendments/ Interpretation	Subject	Effective for annual years beginning on or after
HKFRS 17 and amendments to HKFRS 17	Insurance Contract (including Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information)	01 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	01 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	01 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current	01 January 2024
Amendment to HKAS 1	Non-current Liabilities with Covenants	01 January 2024
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback	01 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	01 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

The Group has already commenced an assessment of the impact of the above new standards and amendments and interpretation to standards, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Group, it is expected that the above new standards and amendments and interpretations to standards will not have a significant impact on the Group's operating results or financial position when they become effective.

3 REVENUE

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

The Group is principally engaged in manufacturing and sale of a range of equipment for manufacturing steel wire products and leasing. Revenue from sales of goods and rental income for the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
Sales of production lines		
— Heat treatment phosphating lines	22,793	—
— Brass electroplating wire production lines	21,206	35,398
— Other production lines	34,696	11,655
Sales of standalone machines	99,306	100,716
Sales of other mould repairing equipment, components parts and accessories	24,433	12,264
Rental income	5,614	5,806
Trading income	—	1,206
	208,048	167,045
Timing of revenue recognition		
— Over time	5,614	5,806
— At a point in time	202,434	161,239
	208,048	167,045

For the years ended 31 December 2022 and 2021, the geographical information on the total revenue is as follows:

	Year ended 31 December	
	2022	2021
Revenue		
— Mainland China	199,491	165,416
— Others	8,557	1,629
	208,048	167,045

The Group's revenues were derived from the following external customers that individually contributed more than 10% of the Group's revenues.

	Year ended 31 December	
	2022	2021
Company A	54,052	N/A ¹
Company B	39,713	N/A ¹
Company C	27,750	21,136
Company D	N/A¹	81,869
Company E	N/A¹	38,598

¹ The corresponding revenue during the year ended 31 December 2021 and 2022 did not contribute 10% or more of the Group's total revenue.

4 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
Changes in inventories of finished goods and work in progress	(23,957)	(8,150)
Raw materials used	156,487	117,041
Employee benefit expenses	24,336	20,231
Depreciation and amortisation		
— Land use rights	545	508
— Property, plant and equipment	7,489	6,861
— Investment properties	2,455	2,728
— Intangible assets	19	23
Outsourced installation fee and transportation expenses	9,911	5,922
Other tax charges	4,237	3,285
Professional fees	1,374	3,203
Auditor's remuneration		
— Audit services	1,491	1,396
Entertainment expenses	1,992	957
Office expenses	1,162	893
Travelling expenses	1,396	1,304
Allowance for impairment of properties held for sale	—	2,668
Allowance for impairment of inventories	1,145	919
Other expenses	2,640	1,912
	<hr/>	<hr/>
Total cost of sales, selling expenses and administrative expenses	192,722	161,701
	<hr/> <hr/>	<hr/> <hr/>

5 OTHER INCOME

	Year ended 31 December	
	2022	2021
Government subsidies (<i>note (a)</i>)	927	655
Value-added tax (“VAT”) refunds (<i>note (b)</i>)	305	286
	<u>1,232</u>	<u>941</u>

Notes:

- (a) Government subsidies mainly represented subsidies for the Group’s intelligent manufacturing projects and contribution of stabling staff employment.
- (b) According to the relevant tax regulations, the sale of self-developed software products of a wholly owned subsidiary, Wuxi Haisheng Software Technology Co., Ltd. (“**Haisheng Software**”), was entitled to VAT refunds until April 2027.

6 OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2022	2021
Foreign exchange gains/(losses)	7,817	(2,451)
Fair value gains on financial assets at FVPL	237	624
Fair value gains on derivative financial instruments (<i>note (a)</i>)	173	306
Gains on disposal of property, plant and equipment	16	—
Others	(76)	184
	<u>8,167</u>	<u>(1,337)</u>

Note:

- (a) The gains were primary attributable to the foreign exchange gains. There are no outstanding forward foreign exchange contracts as at 31 December 2022. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2021 were USD4,877,000, equivalent to approximately RMB31,091,000, the fair value gains have been realised in 2022.

7 FINANCE INCOME

	Year ended 31 December	
	2022	2021
Bank interest income	2,835	2,545
Amortisation of unearned financial income	90	96
	<u> </u>	<u> </u>
Finance income	<u>2,925</u>	<u>2,641</u>

8 INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2022	2021
Current income tax — PRC corporate income tax	438	446
Deferred income tax	324	(984)
	<u> </u>	<u> </u>
	<u>762</u>	<u>(538)</u>

Except for the PRC corporate income tax described below, the Group is not subject to income tax of other jurisdictions.

PRC corporate income tax (“CIT”)

CIT is provided on the assessable income of entities within the Group established in the PRC.

Pursuant to the PRC Corporate Income Tax Law (the “**New CIT Law**”), the Company’s applicable CIT rate is 25%. Under the relevant regulations of the New CIT Law, the Company was qualified as High/New Tech Enterprise, and applied a reduced CIT rate of 15% for the year ended 31 December 2022 (2021: 15%).

Wuxi Haisheng Software Technology Co., Ltd. (“**Haisheng Software**”) was qualified as the Small and Micro Enterprise, the taxable profit less than RMB1 million applied a reduced CIT rate of 2.5%, the taxable profit between RMB1 million and RMB3 million applied a reduced CIT rate of 5% for the years ended 31 December 2022 (2021: 5% and 10%, respectively).

The other subsidiary of the company applied a CIT rate of 25% for the year ended 31 December 2022 (2021: 25%).

9 EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
Profit attributable to equity shareholders of the Company (RMB'000)	22,604	4,711
Weighted average number of ordinary shares in issue (thousand)	128,000	128,000
Basic and diluted earnings per share (RMB cents)	17.66	3.68

As the Company did not have any dilutive potential ordinary shares outstanding as at 31 December 2022 and 2021, diluted earnings per share is equal to basic earnings per share.

10 CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
Trade receivables		
Accounts receivable (note (a))	216,915	220,159
Less: allowance for impairment of accounts receivable	(52,239)	(49,829)
Accounts receivable — net	164,676	170,330
Commercial acceptance notes (note (b))	43,495	40,053
Less: allowance for impairment of commercial notes	(2,042)	(1,561)
Commercial acceptance notes — net (note (b))	41,453	38,492
Bank acceptance notes (note (b))	33,457	47,652
Trade receivables — net	239,586	256,474
Contract assets (note (c))	23,794	376
Less allowance for impairment of contract assets	(1,306)	—
Contract assets — net	22,488	376
Other receivables		
Other receivables	3,503	4,467
Less: unearned financial income	(254)	(312)
Less: allowance for impairment of other receivables	(467)	(476)
Other receivables — net	2,782	3,679
	264,856	260,529
Non-current portion	3,408	1,642
Current portion	261,448	258,887
	264,856	260,529

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

As at 31 December 2022, notes receivables of RMB9,610,000 were pledged as security for the Group's notes payable (As at 31 December 2021 : RMB6,320,000).

- (c) Contract assets are the portions of product quality warranty satisfied the performance obligation but do not have the right to collect consideration. These are due for collection upon the expiry of product quality warranty period, which is usually 12 or 18 months from the acceptance by the customer of the equipment.

	As at 31 December	
	2022	2021
Within 1 year	66,447	104,184
1–2 years	75,971	49,819
2–3 years	38,029	28,179
Over 3 years	36,468	37,977
	<u>216,915</u>	<u>220,159</u>

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

	Year ended 31 December	
	2022	2021
Opening balance as at 1 January	<u>51,866</u>	<u>50,039</u>
Net impairment losses	4,284	3,465
Reversal of impairment losses for individual assessment	—	(49)
Receivables written off as uncollectible	(96)	(1,589)
Closing balance at 31 December	<u>56,054</u>	<u>51,866</u>

11 INVENTORIES

	As at 31 December	
	2022	2021
Raw materials	89,425	25,846
Work in progress	91,856	60,532
Finished goods	18,775	27,095
	<hr/>	<hr/>
Cost	200,056	113,473
Allowance for impairment	(3,582)	(4,505)
	<hr/>	<hr/>
Net book amount	<u>196,474</u>	<u>108,968</u>

For the year ended 31 December 2022, the cost of inventories recognised as expense and included in “Cost of sales” amounted to approximately RMB143,586,000 (2021: RMB115,732,000), which included the allowance for impairment of inventories of RMB1,145,000 (2021: RMB919,000) and reversal of impairment of RMB2,068,000 (2021: RMB924,000) as the Group sold the relevant goods.

12 PROPERTIES HELD FOR SALE

	Year ended 31 December	
	2022	2021
Opening balance at 1 January	46,495	49,482
Disposals	(2,941)	(319)
Allowance for impairment	—	(2,668)
	<hr/>	<hr/>
Closing balance at 31 December	<u>43,554</u>	<u>46,495</u>
At 31 December		
Cost	55,146	59,123
Allowance for impairment	(11,592)	(12,628)
	<hr/>	<hr/>
Net book amount	<u>43,554</u>	<u>46,495</u>

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
Trade payables (<i>note (a)</i>)	86,765	21,528
Notes payable (<i>note (b)</i>)	70,801	26,330
Other taxes payable	4,551	3,759
Quality warranty deposits from suppliers	2,508	2,463
Employee benefits payable	2,453	2,267
Payables for property, plant and equipment	1,522	16
Provision for quality warranty expenses	304	240
Others	2,277	1,936
	<u>171,181</u>	<u>58,539</u>

Notes:

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

	As at 31 December	
	2022	2021
Within 1 year	82,843	21,206
1–2 years	3,606	225
2–3 years	219	—
Over 3 years	97	97
	<u>86,765</u>	<u>21,528</u>

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

14 DIVIDENDS

No dividend of the year ended 31 December 2021 has been proposed by the Board of Directors of the Company. A final dividend in respect of the year ended 31 December 2020 of RMB0.05 per share, amounting to a total dividend of RMB6,400,000, has been fully paid in 2021.

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 has been proposed by the Board of Directors of the Company but not recognised as a liability at year end. The proposed dividend is subject to the approval of the shareholders at the Annual General Meeting to be held on 9 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2022, the downturn in the global macro-economy and the ever-changing pandemic caused interruptions in the domestic supply chain, disruptions to transportation and a rise in commodity prices. Through actively responding to external difficulties and challenges while firmly grasping market opportunities, the Company endeavoured to arrange the schedules of its major projects efficiently. For example, upon winning the tender contract with Zenith Steel Group Company Limited (“**Zenith Steel Group**”), the Company rapidly adjusted its production plans, re-organised its management and rallied the entire work team in order to boost production and deliver the equipment for the new project, which had a tight schedule and a sheer scale. In spite of the wavering pandemic control measures, all departments and projects remained in operation, and all equipment were completed and installed, in an orderly manner under sophisticated delicacy management.

In 2022, the production and sales volume of automobile witnessed steady growth as the macro-economy in China remained generally stable with remarkable resilience as demonstrated by improving key economic indicators. According to the data from the China Association of Automobile Manufacturers (“**CAAM**”), the production and sales volume of automobile in China for 2022 amounted to 27.021 million vehicles and 26.864 million vehicles, respectively, representing increases of 3.4% and 2.1%, respectively, as compared with the corresponding period last year.

As a result, the overall performance of the Group for the period improved as compared with the corresponding period of 2021. For the year ended 31 December 2022, revenue amounted to RMB208 million, representing an increase of 24.5% as compared with the year ended 31 December 2021. Net profit of the Group for the year ended 31 December 2022 was RMB22.604 million.

FINANCIAL REVIEW

Revenue

	Year ended 31 December					
	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>
Heat treatment phosphating lines	2	22,793	11.0	—	—	0.0
Brass electroplating wire production lines	3	21,206	10.2	4	35,398	21.2
Other production lines	33	34,696	16.7	9	11,655	7.0
Standalone machines	598	99,306	47.7	915	100,716	60.3
Other mould repairing equipment, components parts and accessories	N/A	24,433	11.7	N/A	12,264	7.3
Rental income	N/A	5,614	2.7	N/A	5,806	3.5
Trading income	N/A	—	0.0	N/A	1,206	0.7
		<u>208,048</u>	<u>100.0</u>		<u>167,045</u>	<u>100.0</u>

During the Year, our revenue increased by approximately RMB41.0 million or approximately 24.5% to approximately RMB208.0 million when compared with the revenue of approximately RMB167.0 million in 2021, since the Group signed three significant contracts with amount totalling RMB590 million with Zenith Steel Group during the year ended 31 December 2022.

Heat treatment phosphating lines. Two heat treatment phosphating lines were sold during this year (2021: Nil).

Brass electroplating wire production lines. During the year, revenue from the sales of brass electroplating wire production lines decreased by approximately 40.1% to approximately RMB21.2 million when compared with the revenue of approximately RMB35.4 million in 2021. The decrease was mainly due to a decrease in sales volume.

Other production lines. Revenue from the sales of other production lines increased by approximately 23.0 million to approximately RMB34.7 million when compared with the revenue of approximately RMB11.7 million in 2021.

Standalone machines. Revenue from the sales of standalone machines decreased by approximately 1.4% to approximately RMB99.3 million during the Year, when compared with the revenue of approximately RMB100.7 million in 2021. The decrease was due to a decrease of sales volume of standalone machines.

Other mould repairing equipment, components parts and accessories. Revenue from sales of other mould repairing equipment, components parts and accessories increased by approximately 99.2% to approximately RMB24.4 million during the Year, when compared with the revenue of approximately RMB12.3 million in 2021. The increase was primarily due to an increase in the number of renovation projects with higher profit margins.

Rental income. Revenue from rental income arose from the Group's investment properties, which were rented to third parties in 2022 and 2021. As the rental space decreased in 2022, the rental income decreased by approximately 3.3% comparing to that of 2021.

Gross profit and gross profit margin

Our gross profit increased by approximately 33.3% from approximately RMB35.6 million for 2021 to approximately RMB47.5 million for 2022.

Our overall gross profit margin increased from approximately 21.3% for 2021 to approximately 22.8% for 2022, mainly due to an increase of unit price of standalone machines.

Other income

Our other income increased by approximately 30.9% from approximately RMB0.9 million for 2021 to approximately RMB1.2 million for 2022, primarily due to government subsidies which mainly represented subsidies for the intelligent manufacturing projects and contribution of stabling staff employment.

Selling expenses

Our selling expenses remained relatively stable at RMB2.5 million and RMB2.6 million, respectively, in 2022 and 2021.

Administrative expenses

Our administrative expenses increased from approximately RMB27.7 million in 2021 to approximately RMB29.7 million in 2022, primarily due to the increase in research and development expenses.

Net impairment losses on financial and contract assets

The Group incurred net impairment losses on financial and contract assets of approximately RMB4.3 million in 2022, compared with the net impairment losses on financial assets and contract assets of approximately RMB3.4 million in 2021, primarily due to the increase in the balance of gross amount of contract assets, accounts receivable and commercial acceptance notes as at 31 December 2022.

Other gains/(losses) — net

The Group recorded net other gains of approximately RMB8.2 million in 2022, compared with the net other losses of approximately RMB1.3 million in 2021.

Net other gain mainly included foreign exchange gains and fair value gain on financial assets at fair value through profit or loss. The increase in net other gain in 2022 was mainly due to the increase in foreign exchange gains.

Finance income

The Group recorded finance income of approximately RMB2.9 million in 2022, compared with finance income of approximately RMB2.6 million in 2021.

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

Income tax expense/(credit)

The Group recorded income tax expense of approximately RMB0.8 million for 2022, compared with the income tax credit of approximately RMB0.5 million for 2021.

The Group recognised the deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Contract assets and trade receivables

Our gross contract assets and trade receivables increased by approximately 3.1% from approximately RMB308.2 million as at 31 December 2021 to approximately RMB317.7 million as at 31 December 2022 primarily due to the increased revenue in 2022.

Meanwhile, the allowance for contract assets and trade receivables increased from approximately RMB51.4 million at the end of 2021 to approximately RMB55.6 million at the end of 2022.

Inventories

Our inventories increased by approximately 80.3% from approximately RMB109.0 million at the end of 2021 to approximately RMB196.5 million at the end of 2022.

It is mainly because of the increase in the unfinished sales contracts as at 31 December 2022 as compared with those as at 31 December 2021.

Trade and notes payables

Our trade and notes payables increased by approximately 229.2% from approximately RMB47.9 million as at 31 December 2021 to approximately RMB157.6 million as at 31 December 2022.

It is primarily due to an increase in purchase of raw materials and equipments in 2022 as compared with 2021.

LIQUIDITY AND FINANCIAL RESOURCES

Cash position and fund available

As at 31 December 2022, the total cash and bank balances of the Group were approximately RMB281,900,000 (31 December 2021: approximately RMB170,200,000), comprising cash and cash equivalents of approximately RMB113,300,000 (31 December 2021: approximately RMB33,800,000), restricted cash of approximately RMB108,600,000 (31 December 2021: approximately RMB59,900,000) and time deposits of approximately RMB60,000,000 (31 December 2021: approximately RMB76,500,000).

As at 31 December 2022, the current ratio of the Group was 2.7 (31 December 2021: 5.8).

The gearing ratio of the Group (calculated as total borrowings divided by total equity) was 0.003 (31 December 2021: zero).

The Group was still in a strong net cash position as at 31 December 2022 and 2021. The Group has sufficient and readily available finance resources for general working capital requirement and foreseeable capital expenditure.

Borrowings

As at 31 December 2022, the Group had borrowings of RMB2,000,000, which were related to transferred receivables, the bank acceptance notes were discounted but were not derecognised as the Group retained late payment and credit risk of the issuers (31 December 2021: Nil).

CAPITAL EXPENDITURES

During the Year, the Group's capital expenditures amounted to approximately RMB15.2 million (2021: approximately RMB1.8 million) which was related to the purchase of machineries and equipments.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the Year. The capital of the Group only comprises ordinary shares.

FOREIGN CURRENCY RISK

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

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

If the USD had strengthened/weakened by 5% against the RMB while all other variables had been held constant, the Group's post tax profit for the year ended 31 December 2022 would have been approximately RMB3,109,000 better/worse (2021: RMB4,558,000) for various financial assets denominated in USD.

USE OF NET PROCEEDS FROM THE LISTING

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

With a view to improving efficiency in the use of the Company's temporary idle Net Proceeds, on the condition that the construction of the projects committed and planned usage of the proceeds for such construction will not be affected, the Board has proposed to utilise part of the temporary idle Net Proceeds to purchase wealth management products in order to increase the capital revenue, improve the efficiency and effectiveness in the use of the Company's temporary idle Net Proceeds, which in turn shall further enhance the overall revenue of the Company and pursue better investment return to the Company and the shareholders of the Company (the "**Shareholders**") as a whole. For more details regarding the change of use of Net Proceeds from the Listing, please refer to the announcement of the Company dated 29 March 2016 (the "**Announcement**").

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

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

	Planned use of net proceeds from the Listing ^(Note 1) (HK\$ million) (approximately)	Utilised up to 31 December 2022 (HK\$ million) (approximately)	Utilised during the year ended 31 December 2022 (HK\$ million) (approximately)	Unutilised balance up to 31 December 2022 ^(Note 2) (HK\$ million) (approximately)	Expected timeline for unused net proceeds from the Listing
Funding the construction of the New Wuxi Facility and the New Research & Development Centre	163.00	129.59	18.6	46.13	by 31 December 2024
Developing certain targeted research and development projects	25.50	26.63 ^(Note 3)	—	—	—
General working capital and other general corporate purposes	21.00	21.00	—	—	—
Total:	<u>209.50</u>	<u>177.22</u>	<u>18.6</u>	<u>46.13</u>	

Notes:

- (1) The net proceeds allocated have been adjusted and recalculated with reference to (i) the actual net proceeds from the Listing of approximately HK\$209.50 million after the deduction of underwriting commissions, fees and listing-related expenses; and (ii) the percentage of the use of proceeds allocated to each of the purposes as disclosed in the Prospectus.
- (2) As at 31 December 2022, the unutilised proceeds amounted to approximately HK\$46.13 million. Among the unutilised proceeds of approximately HK\$46.13 million, the unutilised proceeds, including the net proceeds of approximately HK\$33.41 million and interest from net proceeds of approximately HK\$12.72 million, were deposited in licensed banks in the PRC.
- (3) The net proceeds of HK\$25.50 million and interest of net proceeds of HK\$1.13 million have been utilised for developing certain target research and development projects.

There has been a delay in the utilisation of the Net Proceeds from the Listing to the construction of the New Wuxi Facility and the New Research and Development Centre as there was a change in business development strategies with the reasons set out in the Announcement. There has been further delay in the use of the Net Proceeds since the outbreak of COVID-19 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

In 2023, China will continue to strive for stable development by boosting domestic demand amidst slow economic recovery across the world. As the nation takes active measures to improve the economy, the new energy vehicle market will enjoy sustainable growth and stable development momentum. The Group will stay abreast of market developments, seize market opportunities, develop new products and new clients, improve internal production procedures, optimise production techniques, manage production cycles, enhance production efficiency, exploit internal production capacity, increase equipment utilisation efficiency, control costs and build up the competitive strength of its products. It believes that despite the severe operating environment and market competition, the management of the Company will be able to maintain the Group's leadership with delicacy corporate management and rational coordination.

EMPLOYEE AND REMUNERATION INFORMATION

As at 31 December 2022, the Group employed a total of 192 full-time employees (31 December 2021: 140), including administration, finance, internal audit, research and development, technical application, quality control, manufacturing, procurement, sales and marketing staff. For the year ended 31 December 2022, the Group's total employee remuneration was approximately RMB24.3 million (2021: approximately RMB20.2 million).

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

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

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

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

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

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENTS

The Group had no significant investments held during the Year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

PROPERTIES HELD FOR SALE

In 2018, the Group purchased 166 residential units of Tong Xing Garden, No. 269 Guangxing Road, Kenli District, Dongying City, Shandong Province, the PRC (the “**Properties**”), which carry a total gross floor area of 18,920.9 square metres for the residential units and 3,331.2 square metres for the ancillary facilities. The Group has an intention to sell the Properties and, accordingly, such 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 Year, the Group sold 10 units of residential units at the total consideration of approximately RMB4.0 million, the carrying amount of the unsold units as at 31 December 2022 is approximately RMB43.6 million, representing 4.6% of the total assets of the Group.

TRANSACTION IN RELATION TO ACQUISITION OR DISPOSAL OF PROPERTIES

As announced at 31 January 2023 (after trading hours of the Stock Exchange), Wuxi Haisheng Software Technology Company Limited* (the “**Vendor**”), a direct wholly-owned subsidiary of the Company, entered into the Agreement with a Chinese government authority (the “**Purchaser**”), pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Property for a total consideration of RMB13,085,208 (equivalent to approximately HK\$15,047,989).

CHARGE ON GROUP ASSETS

As at 31 December 2022, the cash deposits in the amount of approximately RMB108.62 million and note receivable in amount of approximately RMB9.6 million were pledged to banks as security for notes payable and letter of guarantee. (31 December 2021: RMB59.9 million). Save for that, the Group did not have any charges on its assets as at 31 December 2022 or 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

Save as disclosed in the Prospectus or in this Announcement, the Group had no future plans for material investments as at 31 December 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CG CODE”)

The Company complied with all code provisions of the CG Code contained in Appendix 14 to the Listing Rules throughout the Year. For further information in respect of the corporate governance of the Group during the year, please refer to the corporate governance report in the annual report of the Company for the Year, which will be published in April 2023 according to the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Upon making specific enquiries of all the Directors and supervisors of the Company, each of the Directors and supervisors of the Company confirmed that he/she has fully complied with the required standards set out in the Model Code throughout the Year. The Board is of the opinion that the Model Code has been fully complied with during the year ended 31 December 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 would be prohibited from dealing by the Model Code as if he were a Director.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

EVENTS AFTER THE REPORTING PERIOD

On 31 January 2023, Wuxi Haisheng Software Technology Company Limited* entered into the Agreement with the Purchaser, pursuant to which Wuxi Haisheng Software Technology Company Limited* has agreed to sell, and the Purchaser has agreed to purchase a building currently included as investment properties as at 31 December 2022 for a total consideration of RMB13,085,208. The Group is expected to record a gain of approximately RMB8,210,000 for the disposal of investment property in the year ending 31 December 2023.

DIVIDEND

For the Year, the Board has resolved to recommend a final dividend of RMB0.08 per share (before tax) totalling RMB10.24 million (before tax), subject to approval by the Shareholders at the annual general meeting of the Company to be held on Friday, 9 June 2023 (the "AGM"). The final dividend, if approved by the Shareholders at the AGM, will be paid to the Shareholders whose names appeared on the register of members of the Company on Friday, 30 June 2023. Dividends payable to the holders of the Company's domestic shares shall be paid in RMB, whereas dividends payable to the holders of the Company's H shares shall be paid in Hong Kong dollars. Dividends on H share are also subject to PRC Withholding Income Tax. It is expected that the final dividend will be payable on or around Monday, 17 July 2023 and a detailed plan of distribution will be set out in the circular of the Company to be despatched on or around 24 April 2023.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 9 June 2023. Notice of the AGM will be sent to the Shareholders according to the articles of association of the Company and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the identity of the Shareholders who is entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 10 May 2023 to Friday, 9 June 2023, both dates inclusive, the period during which no transfer of shares will be effected. The holders of shares whose names appear on the register of members of the Company on Friday, 9 June 2023 will be entitled to attend and vote at the AGM. In order to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with

the H Share Registrar of the Company, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong (in respect of H shares), or to the Company’s registered office in the PRC at 1 Yanxin Road East, Huishan Economic Development Zone, Wuxi, Jiangsu Province, the PRC (in respect of Domestic shares) no later than 4:00 p.m. on Tuesday, 9 May 2023.

The register of members of the Company will be closed from Saturday, 24 June 2023 to Friday, 30 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for receiving the final dividend for the year ended 31 December 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong (in respect of H shares), or to the Company’s registered office in the PRC at 1 Yanxin Road East, Huishan Economic Development Zone, Wuxi, Jiangsu Province, the PRC (in respect of Domestic shares) no later than 4:00 p.m. on Friday, 23 June 2023.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) was established with terms of reference in compliance with the CG Code. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, financial reporting system, risk management and internal control systems, and has reviewed the Group’s annual results for the Year.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement of the Group’s results for the year ended 31 December 2022 have been agreed by the Company’s external auditor, PricewaterhouseCoopers (“**PwC**”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2022. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.wxsunlit.com) respectively. The annual report for the Year will be dispatched to the Shareholders and available on the above websites according to the Listing Rules.

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

Hong Kong, 24 March 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 purposes only*