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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 2021**

**FINANCIAL HIGHLIGHTS**

	Six months ended 30 June		
	2021 (RMB'000)	2020 (RMB'000)	Change
Revenue	97,201	38,428	152.9%
Gross profit	19,226	12,500	53.8%
Profit before income tax	3,211	1,042	208.2%
Profit for the period	2,948	1,151	156.1%
Profit for the period attributable to shareholders of the Company	2,948	1,151	156.1%
Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share)			
— Basic and diluted	0.02	0.01	100.0%

**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 2021, together with the comparative figures for the corresponding period in 2020. 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>	
	<i>Note</i>	<b>2021</b>	2020
		<b>Unaudited</b>	Unaudited
Revenue	4	<b>97,201</b>	38,428
Cost of sales	5	<u><b>(77,975)</b></u>	<u>(25,928)</u>
<b>Gross profit</b>		<b>19,226</b>	12,500
Selling expenses	5	<b>(1,510)</b>	(1,217)
Administrative expenses	5	<b>(12,210)</b>	(12,976)
Net allowance of impairment losses of financial assets		<b>(3,250)</b>	(2,275)
Other income	6	<b>162</b>	542
Other (losses)/gains — net	7	<u><b>(611)</b></u>	<u>2,550</u>
<b>Operating profit/(loss)</b>		<u><b>1,807</b></u>	<u>(876)</u>
Finance income	8	<u><b>1,404</b></u>	<u>1,918</u>
<b>Profit before income tax</b>		<b>3,211</b>	1,042
Income tax (expense)/credit	9	<u><b>(263)</b></u>	<u>109</u>
<b>Profit for the period attributable to shareholders of the Company</b>		<u><b>2,948</b></u>	<u>1,151</u>
<b>Earnings per share attributable to shareholders of the Company for the period (expressed in RMB per share)</b>			
— Basic and diluted	10	<u><b>0.02</b></u>	<u>0.01</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Profit for the period</b>	<b>2,948</b>	<b>1,151</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>2,948</u></b>	<b><u>1,151</u></b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

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

	<i>Note</i>	30 June 2021 Unaudited	31 December 2020 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets		18,211	18,465
Property, plant and equipment		75,386	78,491
Investment properties		38,871	40,235
Intangible assets		45	55
Trade and other receivables	13	1,778	1,905
Deferred income tax assets — net		12,687	12,829
		<b>146,978</b>	151,980
<b>Current assets</b>			
Inventories	11	110,526	113,547
Properties held for sale	12	49,163	49,482
Prepayments		8,365	14,005
Trade and other receivables	13	256,152	203,319
Derivative financial instruments		170	121
Restricted cash		82,776	48,402
Time deposits		84,312	113,186
Cash and cash equivalents		48,944	53,863
		<b>640,408</b>	595,925
<b>Total assets</b>		<b>787,386</b>	747,905
<b>EQUITY</b>			
Share capital		128,000	128,000
Share premium		311,464	311,464
Reserves		66,660	66,772
Retained earnings		124,124	127,464
<b>Total equity</b>		<b>630,248</b>	633,700
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	85,903	73,439
Contract liabilities		64,729	40,766
Current income tax liabilities		106	—
Dividend payables	15	6,400	—
		<b>157,138</b>	114,205
<b>Non-current liabilities</b>		—	—
<b>Total liabilities</b>		<b>157,138</b>	114,205
<b>Total equity and liabilities</b>		<b>787,386</b>	747,905

# 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 sale 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.

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

This 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 2021 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 2020, and any public announcements made by the Group during the interim reporting period which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

## 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 2020, as described in those annual financial statements.

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

The Group has applied the following new and amended standards and interpretations that are effective from 1 January 2021 for the current accounting period of the Group.

<b>Standards/Interpretations</b>	<b>Subject of standards/amendments</b>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

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

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

<b>Standards/Interpretations</b>	<b>Subject of standards/amendments</b>	<b>Effective for annual years beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKFRS 16	COVID-19-related Rent Concessions beyond 30 June 2021	1 April 2021
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, amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors of the Company, no significant impact on the Group's operating results or financial position when they become effective.

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

#### 4 REVENUE

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

The Group is principally engaged in the manufacturing and 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 2021 and 2020 are as follows:

	Six months ended 30 June	
	2021	2020
Production lines		
— Brass electroplating wire production lines	—	18,412
Standalone machines	84,775	10,283
Other mould repairing equipment, component parts and accessories	8,436	6,271
Rental income	2,784	1,988
Agent business income	1,206	1,474
	<u>97,201</u>	<u>38,428</u>

The Group mainly operates its business in Mainland China. For the six months ended 30 June 2021 and 2020, the geographical information on the total revenue is as follows:

	Six months ended 30 June	
	2021	2020
Revenue		
— Mainland China	96,524	34,749
— Others	677	3,679
	<u>97,201</u>	<u>38,428</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	
	2021	2020
Company A	81,611	10,438
Company B	N/A <sup>1</sup>	18,845

<sup>1</sup> The corresponding revenue did not contribute 10% or more of the Group’s total revenue for the six months ended 30 June 2021.

## 5 EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
Changes in inventories of finished goods and work in progress	(9,914)	400
Raw materials used	75,470	20,889
Employee benefit expenses	10,527	7,576
Depreciation and amortisation	5,065	4,757
Outsourced installation fee	3,225	909
Professional fees	1,700	1,067
Other tax charges	1,491	1,388
Travelling expenses	627	330
Office expenses	457	462
Entertainment expenses	446	625
Auditors' remuneration	425	425
Other expenses	2,176	1,293
	<u>91,695</u>	<u>40,121</u>
<b>Total cost of sales, selling expenses and administrative expenses</b>	<b><u>91,695</u></b>	<b><u>40,121</u></b>

## 6 OTHER INCOME

	Six months ended 30 June	
	2021	2020
Value-added tax ("VAT") refunds ( <i>note (a)</i> )	95	229
Government subsidies ( <i>note (b)</i> )	67	313
	<u>162</u>	<u>542</u>

### Notes:

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



## 7 OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2021	2020
Foreign exchange (losses)/gains — net	(1,042)	1,418
Fair value gains on financial assets at fair value through profit or loss	391	1,076
Unrealised fair value gain on derivative financial instruments	49	—
Gains on disposal of properties held for sale	(9)	—
Others	—	56
	<u>(611)</u>	<u>2,550</u>

## 8 FINANCE INCOME

	Six months ended 30 June	
	2021	2020
— Bank interest income	1,356	1,869
— Amortisation of unearned financial income	48	49
	<u>1,404</u>	<u>1,918</u>

## 9 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021	2020
Current income tax — PRC corporate income tax	121	157
Deferred income tax	142	(266)
<b>Income tax expense</b>	<u>263</u>	<u>(109)</u>

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 2021 (six months ended 30 June 2020: 15%).

Since Haisheng Software met the conditions for Small and Thin-profit Enterprise, for the six months ended 30 June 2021, the taxable profit of less than RMB1 million was subject to a reduced CIT rate of 2.5% (six months ended 30 June 2020: 5%); and the taxable profit between RMB1 million and RMB3 million was subject to a reduced CIT rate of 10% (six months ended 30 June 2020: 10%).

The other subsidiary of the Company applied a CIT rate of 25% for the six months ended 30 June 2021 and for the six months ended 30 June 2020.

## 10 EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
Profit for the period attributable to shareholders of the Company ( <i>RMB'000</i> )	<b>2,948</b>	1,151
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	<b>128,000</b>	128,000
Basic and diluted earnings per share ( <i>RMB per share</i> )	<b>0.02</b>	0.01

As the Company did not have any dilutive potential ordinary shares outstanding as at 30 June 2021 and 30 June 2020, diluted earnings per share is equal to basic earnings per share.

## 11 INVENTORIES

	<b>30 June</b>	31 December
	<b>2021</b>	2020
Raw materials	<b>22,569</b>	35,504
Work in progress	<b>64,326</b>	34,647
Finished goods	<b>23,631</b>	43,396
	<b>110,526</b>	113,547

**12 PROPERTIES HELD FOR SALE**

	30 June 2021	31 December 2020
Cost	59,124	59,515
Less: allowance for impairment	<u>(9,961)</u>	<u>(10,033)</u>
<b>Net book amount</b>	<b><u>49,163</u></b>	<b><u>49,482</u></b>

**13 TRADE AND OTHER RECEIVABLES**

	30 June 2021	31 December 2020
<b>Trade receivables</b>		
Accounts receivable — third parties ( <i>note (a)</i> )	230,158	190,569
Less: allowance for impairment of accounts receivable	<u>(49,173)</u>	<u>(48,970)</u>
Accounts receivable — net	180,985	141,599
Commercial acceptance notes ( <i>note (b)</i> )	39,316	12,612
Less: allowance for impairment of commercial notes	(1,817)	(476)
Bank acceptance notes ( <i>note (b)</i> )	<u>35,022</u>	<u>46,097</u>
Trade receivables — net	<u>253,506</u>	<u>199,832</u>
<b>Other receivables</b>		
Other receivables — third parties	4,090	4,578
Less: unearned financial income	<u>(360)</u>	<u>(408)</u>
Less: allowance for impairment of other receivables	<u>(696)</u>	<u>(593)</u>
Other receivables — net	<u>3,034</u>	<u>3,577</u>
<b>Interest receivable</b>	1,390	1,134
<b>Contract assets</b>	<u>—</u>	<u>681</u>
	<b><u>257,930</u></b>	<b><u>205,224</u></b>
Non-current portion	1,778	1,905
Current portion	<u>256,152</u>	<u>203,319</u>
	<b><u>257,930</u></b>	<b><u>205,224</u></b>

*Notes:*

- (a) For sale of production lines, standalone machines and equipment, apart from a portion of the contract sum retained by customers to cover the Group's product quality warranty, the Group does not grant credit terms to customers in the sales contract. Included in accounts receivables as at 30 June 2021 are such retained sums of approximately RMB51,657,000 (31 December 2020: RMB46,602,000) representing 22.4% (31 December 2020: 24.5%) of accounts receivables. These are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the equipment).

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

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

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

	<b>30 June 2021</b>	31 December 2020
Within 1 year	<b>142,030</b>	98,148
1–2 years	<b>36,277</b>	35,793
2–3 years	<b>15,375</b>	15,759
Over 3 years	<b>36,476</b>	40,869
	<b><u>230,158</u></b>	<u>190,569</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>2021</b>	2020
<b>Opening balance at 1 January</b>	<b><u>50,039</u></b>	<u>50,911</u>
Additional allowance for impairment	<b>5,929</b>	6,132
Reversal of allowance for impairment	<b>(2,679)</b>	(3,857)
Receivables written off as uncollectible	<b>(1,603)</b>	—
<b>Closing balance at 30 June</b>	<b><u>51,686</u></b>	<u>53,186</u>

## 14 TRADE AND OTHER PAYABLES

	30 June 2021	31 December 2020
Notes payable ( <i>note (a)</i> )	51,696	26,038
Trade payables ( <i>note (b)</i> )	25,695	38,406
Quality warranty deposits from suppliers	2,607	2,433
Employee benefits payable	1,678	2,147
Other taxes payable	1,154	920
Provision for quality warranty expenses	258	157
Payables for property, plant and equipment	16	13
Others	2,799	3,325
	<u>85,903</u>	<u>73,439</u>

*Notes:*

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

	30 June 2021	31 December 2020
Within 1 year	25,598	38,309
Over 1 year	97	97
	<u>25,695</u>	<u>38,406</u>

## 15 DIVIDENDS

A final dividend in respect of the year ended 31 December 2020 of RMB0.05 per share, amounting to a total dividend of RMB6,400,000 was proposed by the Board on 26 March 2021 and approved by the shareholders at the annual general meeting of the Company held on 18 June 2021.

The Directors of the Company did not recommend the declaration of an interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Amid the complicated and ever-changing situation in the PRC and overseas, the national economy of the PRC remained stable in the first half of 2021. The production and operating activities of enterprises were expanding steadily in general during the first half of 2021. According to the data from the China Association of Automobile Manufacturers (“CAAM”), the production and sales of automobiles in the first half of 2021 amounted to approximately 12.6 million units and approximately 12.9 million units, respectively, representing increases of 24.2% and 25.6%, respectively, as compared with the corresponding period last year.

The rising vehicle production and sales have boosted the demand for tyres as well as radial tyre steel cords. The Group, as a radial tyre steel cord equipment supplier, also recorded operational growth. During the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB97.2 million, representing an increase of 152.9% as compared to approximately RMB38.4 million for the corresponding period last year, and recorded a net profit of approximately RMB3.0 million for the six months ended 30 June 2021.

### Revenue

	For the six months ended 30 June					
	2021			2020		
	<i>Unit(s)</i> <i>sold</i>	<i>RMB'000</i>	<i>%</i>	<i>Unit(s)</i> <i>sold</i>	<i>RMB'000</i>	<i>%</i>
Brass electroplating wire production lines	—	—	—	2	18,412	47.9
Standalone machinery	768	84,775	87.2	56	10,283	26.8
Mould repairing equipment, component parts and accessories	N/A	8,436	8.7	N/A	6,271	16.3
Rental income	N/A	2,784	2.9	N/A	1,988	5.2
Agent business income	N/A	1,206	1.2	N/A	1,474	3.8
		<u>97,201</u>	<u>100</u>		<u>38,428</u>	<u>100</u>

Our revenue for the six months ended 30 June 2021 was approximately RMB97.2 million, representing an increase of approximately RMB58.8 million, or approximately 152.9%, from approximately RMB38.4 million for the corresponding period of 2020.

The increase in revenue was mainly attributable to the recognition of revenue from sales of equipment during the six months ended 30 June 2021, as the impact of the COVID-19 pandemic (the “**Pandemic**”) lessened in 2021. The delivery and testing of equipment was delayed in the first half of 2020 as a result of the Pandemic.

**Brass electroplating wire production lines.** No revenue was generated from the sale of brass electroplating wire production lines for the six months ended 30 June 2021, representing a decrease of approximately RMB18.4 million from the revenue for the six months ended 30 June 2020.

**Standalone machines.** Revenue from the sale of standalone machines for the six months ended 30 June 2021 was approximately RMB84.8 million, representing an increase of approximately 724.4% from approximately RMB10.3 million for the corresponding period of 2020. The increase was attributable to the increase in the sales volume of standalone machines. 768 sets of standalone machines were accepted by our customers during the six months ended 30 June 2021, while 56 sets were accepted by the customers in the corresponding period of 2020.

**Mould repairing equipment, component parts and accessories.** Revenue from the sale of mould repairing equipment, component parts and accessories for the six months ended 30 June 2021 was approximately RMB8.4 million, representing an increase of approximately 34.5% from approximately RMB6.3 million for the corresponding period of 2020. The increase was primarily attributable to the increased sales of other component parts and accessories.

**Rental income.** The rental income increased by approximately RMB0.8 million, or 40.0%, to approximately RMB2.8 million for the six months ended 30 June 2021 from approximately RMB2.0 million for the corresponding period in 2020. Rental income was derived from investment properties rented to independent third parties during the six months ended 30 June 2021 and the corresponding period of 2020. As more parts of the buildings were rented out from June 2020, rental income increased as compared to that for the corresponding period in 2020.

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

Gross profit for the six months ended 30 June 2021 was approximately RMB19.2 million, representing an increase of approximately 53.8% from approximately RMB12.5 million for the corresponding period of 2020. Overall gross profit margin for the six months ended 30 June 2021 and the corresponding period of 2020 were approximately 19.8% and 32.5%, respectively. The decrease was due to the absence of sale of brass electroplating wire production lines with higher gross margins and the lower selling prices of standalone machinery production lines as compared to that in the corresponding period of 2020.

### **Other income**

Other income mainly represented the VAT refunds and government subsidies received by the Group. Our other income for the six months ended 30 June 2021 was approximately RMB0.2 million, representing a decrease of approximately 70.1% from approximately RMB0.5 million for the corresponding period of 2020, primarily due to the impact of receiving less government subsidies.

### **Selling expenses**

Our selling expenses for the six months ended 30 June 2021 was approximately RMB1.5 million, representing an increase of approximately 24.1% from approximately RMB1.2 million for the corresponding period of 2020, which was primarily due to the increase in travelling expenses.

### **Administrative expenses**

Our administrative expenses decreased by approximately 5.9% from approximately RMB13.0 million for the six months ended 30 June 2020 to approximately RMB12.2 million for the six months ended 30 June 2021. This was primarily due to the reduction in the direct use of materials for research and development.

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

The Group recorded a net allowance for impairment losses on financial assets of approximately RMB3.3 million for the six months ended 30 June 2021, as compared to the net allowance for impairment losses on financial assets of approximately RMB2.3 million in the corresponding period of 2020. The increase was mainly due to the higher balance of trade receivables.

### **Other (losses)/gains — net**

The Group recorded net other losses of approximately RMB0.6 million for the six months ended 30 June 2021, as compared to the net other gains of approximately RMB2.6 million for the corresponding period of 2020. The increase in net other losses for the six months ended 30 June 2021 was mainly due to foreign exchange losses.

### **Finance income**

The Group recorded finance income of approximately RMB1.4 million for the six months ended 30 June 2021, as compared to the net finance income of approximately RMB1.9 million for the corresponding period of 2020. The decrease was primarily due to the decrease in bank interest income.

### **Income tax (expense)/credit**

The Group recorded income tax expenses of approximately RMB0.3 million for the six months ended 30 June 2021, as compared to income tax credit of approximately RMB0.1 million for the corresponding period of 2020. The rise in income tax expenses was caused by the increase in profit.



## **TRADE RECEIVABLES**

Our gross accounts receivables increased by approximately 20.8% from approximately RMB190.6 million as at 31 December 2020 to approximately RMB230.2 million as at 30 June 2021, the notes receivables increased by 26.6% from RMB58.7 million as at 31 December 2020 to RMB74.3 million as at 30 June 2021, primarily due to the higher sales during the six months ended 30 June 2021. The allowance for trade receivables increased from approximately RMB49.4 million at as 31 December 2020 to approximately RMB51.0 million as at 30 June 2021.

## **INVENTORIES**

Our inventories decreased by approximately 2.7% from approximately RMB113.5 million as at 31 December 2020 to approximately RMB110.5 million as at 30 June 2021 mainly due to a decrease in the inventory of finished goods as a result of the growth of sales.

## **TRADE AND NOTES PAYABLES**

Our trade and notes payables increased by approximately 20.1% from approximately RMB64.4 million as at 31 December 2020 to approximately RMB77.4 million as at 30 June 2021. It was primarily due to the increase in purchase volumes in the six months ended 30 June 2021.

## **CASH POSITION AND FUND AVAILABLE**

During the six months ended 30 June 2021, the Group maintained a healthy liquidity position with working capital being financed by its operating cash flows.

As at 30 June 2021, the total cash and bank balances of the Group were approximately RMB216.0 million (31 December 2020: approximately RMB215.5 million), which comprised cash and cash equivalents of approximately RMB48.9 million (31 December 2020: approximately RMB53.9 million), restricted cash of approximately RMB82.8 million (31 December 2020: approximately RMB48.4 million) and time deposits of approximately RMB84.3 million (31 December 2020: approximately RMB113.2 million).

As at 30 June 2021, the current ratio of the Group was 4.1 times (31 December 2020: 5.2 times). The decrease was primarily due to the increase in trade and other payables and contract liabilities.

As at 30 June 2021, the gearing ratio of the Group (calculated as total borrowings divided by total equity) was 0% (31 December 2020: 0%) as the Group had no outstanding borrowings.

## **SIGNIFICANT INVESTMENTS**

During the six months ended 30 June 2021, the Group did not have any significant investments.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the six months ended 30 June 2021, the Group had no acquisition or disposal of subsidiaries, associates or joint ventures.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2021, cash deposits in the amount of approximately RMB82.8 million were pledged to banks as security for notes payable and forward foreign exchange contracts. As at 31 December 2020, cash deposits in the amount of approximately RMB48.4 million were pledged to banks as security for notes payable and forward foreign exchange contracts. Save for disclosed above, the Group did not have any charges on assets as at 30 June 2021.

## **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 2021.

## **CAPITAL EXPENDITURES**

For the six months ended 30 June 2021, the Group’s capital expenditures amounted to approximately RMB0.5 million (six months ended 30 June 2020: approximately RMB1.5 million), which mainly related to the purchase of machinery and equipment.

## **PROPERTIES HELD FOR SALE**

In 2018, the Group purchased 166 residential units of Tong Xing Garden, No. 269 Guangxing Road, Kenli District, Dongying City, Shandong Province, the PRC (the “**Properties**”), which have a total gross floor area of 18,920.9 square metres for residential units and 3,331.2 square metres for ancillary facilities. The Group has an intention to sell the Properties and, accordingly, such rights are recognised as properties held for sale upon the completion of the transfer of the title of the Properties from the vendor to the Company on 29 May 2018.

During the six months ended 30 June 2021, the Group sold one of the residential units at a total consideration of approximately RMB0.3 million, and the carrying value of the unsold units as at 30 June 2021 was approximately RMB49.2 million, representing 6.2% of the total assets of the Group.

## **CAPITAL COMMITMENTS**

As at 30 June 2021, the Group had no capital expenditures contracted but not incurred (31 December 2020: Nil).

## **CAPITAL STRUCTURE**

There was no change in the capital structure of the Group during the six months ended 30 June 2021. 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 for certain trade receivables, cash and cash equivalents and time deposits, which are denominated in United States Dollar ("USD"). The Group is therefore exposed to foreign currency translation risk. The Group has entered into forward foreign exchange contracts of RMB against USD in an aggregate value of approximately USD5,412,000 to mitigate foreign exchange risk, including the potential exchange loss as a result of the depreciation of USD against RMB, during the six months ended 30 June 2021. The Group will continue to monitor foreign exchange changes to best preserve cash value.

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 2021 would have been approximately RMB4,483,000 (six months ended 30 June 2020: RMB4,295,000) 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**").

At the annual general meeting of the Company held on 18 June 2021, the Board was authorised, within one year commencing from the approval, to exercise the decision-making power regarding the purchase of wealth management products by utilising temporary idle proceeds for not more than RMB30 million in aggregate at any time. Since the authority granted to the Board to purchase wealth management products with the temporary idle proceeds would expire one year after such approval, a special resolution was proposed and passed at the 2020 annual general meeting of the Company to renew such authority. For details of the relevant resolutions, please refer to the circular of the Company dated 29 April 2021.

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

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

	Planned use of net proceeds from the Listing <sup>(Note 1)</sup> (HK\$ million) (approximately)	Utilised up to 30 June 2021 (HK\$ million) (approximately)	Utilised during the six months ended 30 June 2021 (HK\$ million) (approximately)	Unutilised balance up to 30 June 2021 <sup>(Note 2)</sup> (HK\$ million) (approximately)	Expected timeline for unused net proceeds from the Listing <sup>(Note 4)</sup>
Funding the construction of the New Wuxi Facility and the New Research & Development Centre	163.0	109.04	0.76	64.26	by 2022
Developing certain targeted research and development projects	25.5	26.63 <sup>(Note 3)</sup>	—	—	—
General working capital and other general corporate purposes	21.0	21.0	—	—	—
Total:	<u>209.50</u>	<u>156.67</u>	<u>0.76</u>	<u>64.26</u>	

Notes:

- (1) The net proceeds allocated have been adjusted and recalculated with reference to (i) the actual net proceeds from the Listing of approximately HK\$209.5 million after the deduction of underwriting commissions, fees and listing-related expenses; and (ii) the percentage of the use of proceeds allocated to each of the purposes as disclosed in the Prospectus.
- (2) As at 30 June 2021, the unutilised proceeds amounted to approximately HK\$64.26 million. Among the unutilised proceeds of approximately HK\$64.26 million, the unutilised proceeds, including the net proceeds of approximately HK\$53.96 million and interest from net proceeds of approximately HK\$10.3 million, were deposited in licensed banks in the PRC.
- (3) As at 30 June 2021, net proceeds of HK\$25.5 million and interest therefrom of HK\$1.13 million were utilised to develop certain targeted research and development projects.
- (4) 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. 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**

The ongoing development of the Pandemic around the world remains volatile with plenty of external uncertainties. In general, the economic situation in the PRC and overseas are affected by the recovery of the macro-economy and the implementation of the country's policies to steadily increase the consumption of major durables such as cars, and to reach peak emissions, carbon neutrality and other strategic goals. Due to car chip shortage and rising raw materials prices, the demand for tyres dropped in the second quarter of 2021. However, it is anticipated that the automobile industry of China will generally maintain a steady progress in 2021. With the PRC domestic economy entering a new normal, the metal product sector also encounters various challenges. The Group will seek to pursue growth with better management and ensure smooth operations so as to seize every opportunity in the tense situation. It will also carry on the upgrade and replacement of existing production lines and enhance the production capacity of radial tyre cord with the aims of maintaining market share and strengthening the Group's profitability.

## **EMPLOYEE AND REMUNERATION INFORMATION**

As at 30 June 2021, the Group employed a total of 142 full-time employees (31 December 2020: 138 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 2021, the Group's total employee remuneration was approximately RMB10.5 million (six months ended 30 June 2020: approximately RMB7.6 million), representing approximately 10.8% 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 2021, the Company did not have any share option scheme in force. There is no outstanding option granted by the Company as at 30 June 2021.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: 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 2021 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 2021.

Any employee of the Company or director or employee of any subsidiary of the Company who, because of their office in the Company, are likely to be in possession of inside information in relation to the securities of the Company, have also been requested not to deal in securities of the Company when he/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 2021, the interests or short positions of the Directors, supervisors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “SFO”)) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, will be as follows:

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

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

#### Notes:

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

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021.

#### **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 2021.

#### **COMPETING BUSINESS**

During the six months ended 30 June 2021, the Directors were not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

#### **DIVIDENDS**

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021. The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 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 2021 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 2021 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, 23 August 2021

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

\* *For identification purpose only*