**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 2019

| **Financial Highlights** | **For the year ended 31 December** | | |
|---|---|---|---|
| | **2019** | 2018 | **Change** |
| Revenue *(RMB million)* | **134.8** | 176.9 | **−23.8%** |
| Gross profit *(RMB million)* | **30.6** | 68.4 | **−55.3%** |
| Profit before income tax *(RMB million)* | **11.1** | 58.6 | **−81.1%** |
| Profit for the year *(RMB million)* | **8.1** | 48.1 | **−83.2%** |
| Profit attributable to shareholders of the Company *(RMB million)* | **8.1** | 48.1 | **−83.2%** |
| Basic and diluted earnings per share *(RMB)* | **0.06** | 0.38 | **−84.2%** |

## 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 2019 (the "**Year**").

## CONSOLIDATED INCOME STATEMENT

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

| | Note | Year ended 31 December 2019 | 2018 |
|---|---|---|---|
| Revenue | 3 | **134,757** | 176,857 |
| Cost of sales | | **(104,177)** | (108,469) |
| **Gross profit** | | **30,580** | 68,388 |
| Selling expenses | | **(4,799)** | (4,611) |
| Administrative expenses | | **(35,923)** | (30,135) |
| Net reversal of impairment losses on financial assets | | **10,496** | 8,402 |
| Other income | 5 | **1,245** | 2,026 |
| Other gains — net | 6 | **5,256** | 10,058 |
| **Operating profit** | | **6,855** | 54,128 |
| Finance income | 7 | **4,204** | 4,519 |
| **Profit before income tax** | | **11,059** | 58,647 |
| Income tax expense | 8 | **(2,980)** | (10,593) |
| **Profit for the year attributable to shareholders of the Company** | | **8,079** | 48,054 |
| **Earnings per share attributable to shareholders of the Company for the year (expressed in RMB per share)** | | | |
| —Basic and diluted | 9 | **0.06** | 0.38 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| **Profit for the year** | **8,079** | 48,054 |
| **Other comprehensive income** | **—** | — |
| **Total comprehensive income for the year attributable to shareholders of the Company** | **8,079** | 48,054 |

## CONSOLIDATED BALANCE SHEET

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

| | | As at 31 December | |
|---|---|---|---|
| | *Note* | **2019** | 2018 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | | **23,044** | — |
| Land use rights | | **—** | 23,659 |
| Property, plant and equipment | | **97,838** | 97,206 |
| Investment properties | | **22,148** | 20,287 |
| Intangible assets | | **78** | 101 |
| Trade and other receivables | 10 | **1,993** | 1,365 |
| Deferred income tax assets — net | | **12,977** | 15,144 |
| | | **158,078** | 157,762 |
| **Current assets** | | | |
| Inventories | 11 | **88,511** | 65,518 |
| Properties held for sale | 12 | **57,254** | 69,671 |
| Prepayments | | **2,428** | 1,740 |
| Trade and other receivables | 10 | **196,725** | 113,287 |
| Financial assets at fair value through profit or loss | | **30,440** | 30,476 |
| Restricted cash | | **24,290** | 10,925 |
| Time deposits | | **125,407** | 132,364 |
| Cash and cash equivalents | | **62,478** | 134,821 |
| | | **587,533** | 558,802 |
| **Total assets** | | **745,611** | 716,564 |
| **EQUITY** | | | |
| Share capital | | **128,000** | 128,000 |
| Share premium | | **311,464** | 311,464 |
| Reserves | | **66,886** | 65,707 |
| Retained earnings | | **124,931** | 124,431 |
| **Total equity** | | **631,281** | 629,602 |

| | Note | As at 31 December 2019 | 2018 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **72,573** | 47,336 |
| Contract liabilities | | **41,757** | 37,926 |
| Current income tax liabilities | | **—** | 1,700 |
| | | **114,330** | 86,962 |
| **Non-current liabilities** | | **—** | — |
| **Total liabilities** | | **114,330** | 86,962 |
| **Total equity and liabilities** | | **745,611** | 716,564 |

## NOTES:

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

### 1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss, 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 and interpretation to standards adopted by the Group

The following new standards and amendments and interpretation to standards are mandatory for the Group's financial year commencing 1 January 2019.

| **Standards/Interpretation** | **Subject of standards/ amendment** |
|---|---|
| HKFRS 16 | Leases |
| HKFRS 9 (Amendments) | Prepayment Features with Negative Compensation |
| HKAS 19 (Amendments) | Plan Amendment, Curtailment or Settlement |
| HKAS 28 (Amendments) | Long-term Interests in Associates and Joint Ventures |
| HK (IFRIC) 23 | Uncertainty over Income Tax Treatments |
| Annual Improvements to 2015–2017 Cycle | Improvements to HKFRS |

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2. Most of the other 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 and amendments and interpretation to standards that have been issued but are not effective**

The following new standards and amendments and interpretation to standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group:

| **Standards/Interpretation** | **Subject of standards/amendment** | **Effective for annual years beginning on or after** |
|---|---|---|
| HKFRS 3 (Amendments) | Definition of a Business | 1 January 2020 |
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material | 1 January 2020 |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| HKFRS 7, HKFRS 9 and HKAS 39 | Interest Rate Benchmark Reform | 1 January 2020 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 January 2022 |
| HKFRS 10 and HKAS 28 (Amendments) | 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 interpretations 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.

## 2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 1(a) above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

**(a) Practical expedients applied**

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 January 2019
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

**(b) Measurement of right-of-use assets**

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

**(c) Adjustments recognised in the balance sheet on 1 January 2019**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

| | Closing balance as at 31 December 2018 *RMB'000* | Effect of adoption of HKFRS 16 *RMB'000* | Opening balance as at 1 January 2019 *RMB'000* |
|---|---|---|---|
| Consolidated balance sheet | | | |
| Land use rights | 23,659 | (23,659) | — |
| Right-of-use assets | — | 23,659 | 23,659 |

**(d) Lessor accounting**

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

## 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. Revenues from sales of goods for the years ended 31 December 2019 and 2018 are as follows:

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| Production lines | | |
| — Brass electroplating wire production lines | **44,111** | 62,997 |
| — Other production lines | **385** | 15,375 |
| Standalone machines | **68,507** | 72,618 |
| Other mould repairing equipment, components parts and accessories | **18,548** | 23,011 |
| Rental income | **2,973** | 2,856 |
| Agent business income | **233** | — |
| | **134,757** | 176,857 |

For the years ended 31 December 2019 and 2018, the geographical information on the total revenue is as follows:

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| Revenue | | |
| — Mainland China | **127,975** | 156,101 |
| — Others | **6,782** | 20,756 |
| | **134,757** | 176,857 |

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** | |
|---|---|---|
| | **2019** | 2018 |
| Company A | **101,929** | 43,865 |
| Company B | **N/A**[1] | 57,196 |
| Company C | **N/A**[1] | 32,221 |

[1] The corresponding revenue did not contribute 10% or more of the Group's total revenue.

## 4 DEPRECIATION AND AMORTISATION

Depreciation and amortisation charged to the consolidated income statement are as follow:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Depreciation and amortisation | **8,940** | 9,339 |

## 5 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Value-added tax ("**VAT**") refunds *(note (a))* | **669** | 1,735 |
| Government subsidies *(note (b))* | **576** | 291 |
| | **1,245** | 2,026 |

*Notes:*

(a) According to the relevant tax regulations, the sales of self-developed software products of a wholly-owned subsidiary, Wuxi Haisheng Software Technology Co., Ltd. ("Haisheng Software"), was entitled to VAT refunds from December 2011 until October 2016. In March 2017, Haisheng Software was approved to be entitled to VAT refunds for the sales of self-developed software products from March 2017 to March 2022.

(b) Government subsidies mainly represented subsidies for the Group's technical research projects and for talent training programmes.

## 6 OTHER GAINS — NET

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Gains on disposal of financial assets at FVPL | **3,690** | 6,234 |
| Unrealised fair value losses on financial assets at FVPL | **(36)** | (974) |
| Foreign exchange gains | **1,613** | 4,044 |
| Gains on disposal of property, plant and equipment, net | **—** | 151 |
| Losses on disposal of properties held for sale | **(320)** | — |
| Others | **309** | 603 |
| | **5,256** | 10,058 |

## 7 FINANCE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Bank interest income | **4,140** | 3,725 |
| Amortisation of unearned financial income | **64** | 794 |
| **Finance income** | **4,204** | 4,519 |

## 8 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Current income tax — PRC corporate income tax | **813** | 8,016 |
| Deferred income tax | **2,167** | 2,577 |
| **Income tax expense** | **2,980** | 10,593 |

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 for three years from 30 November 2016 to 30 November 2019. At 7 November 2019, the Company was qualified as High/New Tech Enterprise again, the qualification period is three years from 7 November 2019 to 7 November 2022. Therefore, the Company applied a reduced CIT rate of 15% for the year ended 31 December 2019 (2018: 15%). The Yixing branch of the Company was qualified as the Small and Micro Enterprise, the taxable profit less than 1 million applied a reduced CIT rate of 5%, the taxable profit between 1 million and 3 million applied a reduced CIT rate of 10% for the year ended 31 December 2019 (2018: 25%).

Except for the Company and Yixing branch of the Company, all its subsidiaries applied a CIT rate of 25% for the year ended 31 December 2019 (2018: 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 | |
|---|---|---|
| | **2019** | 2018 |
| Profit attributable to shareholders of the Company *(RMB'000)* | **8,079** | 48,054 |
| Weighted average number of ordinary shares in issue *(thousand)* | **128,000** | 128,000 |
| Basic and diluted earnings per share *(RMB/share)* | **0.06** | 0.38 |

As the Company did not have any dilutive potential ordinary shares outstanding as at 31 December 2019 and 2018, diluted earnings per share is equal to basic earnings per share.

## 10 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| **Trade receivables** | | |
| Accounts receivable *(note (a))* | **137,814** | 140,275 |
| Less: allowance for impairment of accounts receivable | **(50,054)** | (61,259) |
| Accounts receivable — net | **87,760** | 79,016 |
| Commercial acceptance notes *(note (b))* | **58,485** | 9,735 |
| Less: allowance for impairment of commercial notes | **(384)** | (487) |
| Trade receivables — net | **145,861** | 88,264 |
| **Other receivables** | | |
| Other receivables | **31,038** | 3,151 |
| Less: unearned financial income | **(476)** | (368) |
| Less: allowance for impairment of other receivables | **(473)** | (444) |
| Other receivables — net | **30,089** | 2,339 |
| **Interest receivable** | **1,862** | 1,892 |
| **Bank acceptance notes** *(note (b))* | **20,906** | 22,157 |
| | **198,718** | 114,652 |
| Non-current portion | **1,993** | 1,365 |
| Current portion | **196,725** | 113,287 |
| | **198,718** | 114,652 |

(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 receivable as at 31 December 2019 are such retained sums of approximately RMB44,219,000 (2018: RMB50,453,000) representing 32.1% (2018: 36.0%) of accounts receivable. These are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the equipment).

For sale of components parts and accessories, the Group grants 30 to 90 days credit terms to certain customers in sales contract. Included in accounts receivable as at 31 December 2019 are such retained sums of approximately RMB971,000 (2018:Nil) representing 0.7% (2018:Nil) of accounts receivable.

(b) Notes receivable 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.

(c) Aging analysis based on recognition date of the gross accounts receivable at the respective balance sheet dates are as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| Within 1 year | **53,717** | 50,822 |
| 1–2 years | **28,735** | 17,001 |
| 2–3 years | **4,895** | 22,903 |
| Over 3 years | **50,467** | 49,549 |
| | **137,814** | 140,275 |

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

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| **Opening as at 1 January** | **62,190** | 75,447 |
| Additional allowance for impairment | **6,619** | 9,790 |
| Reversal of allowance for impairment | **(17,115)** | (18,192) |
| Receivables written off as uncollectible | **(783)** | (4,855) |
| **Closing balance at 31 December** | **50,911** | 62,190 |

## 11 INVENTORIES

| | As at 31 December 2019 | 2018 |
|---|---|---|
| Raw materials | **18,840** | 17,378 |
| Work in progress | **32,061** | 38,565 |
| Finished goods | **37,610** | 9,575 |
| | **88,511** | 65,518 |

For the year ended 31 December 2019, the cost of inventories recognised as expense and included in "**Cost of sales**" amounted to approximately RMB89,452,000 (2018: RMB93,450,000), which included the allowance for impairment of inventories of RMB1,770,000 (2018: the reversal of allowance for impairment of inventories of RMB1,392,000).

## 12 PROPERTIES HELD FOR SALE

| | Year ended 31 December 2019 | 2018 |
|---|---|---|
| **Opening balance at 1 January** | **69,671** | — |
| Addition | **—** | 72,969 |
| Disposals | **(3,984)** | — |
| Allowance for impairment | **(8,433)** | (3,298) |
| **Closing balance at 31 December** | **57,254** | 69,671 |
| **At 31 December** | | |
| Cost | **68,724** | 72,969 |
| Allowance for impairment | **(11,470)** | (3,298) |
| **Net book amount** | **57,254** | 69,671 |

## 13 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Notes payable *(note (a))* | **41,285** | 18,209 |
| Trade payables *(note (b))* | **20,334** | 21,162 |
| Other taxes payable | **2,560** | 1,570 |
| Quality warranty deposits from suppliers | **2,373** | 2,254 |
| Employee benefits payable | **2,315** | 1,954 |
| Provision for quality warranty expenses | **197** | 261 |
| Payables for property, plant and equipment | **2** | 87 |
| Others | **3,507** | 1,839 |
| | **72,573** | 47,336 |

*Notes:*

(a) The notes payable are secured by pledge of cash deposits and commercial acceptance notes to banks.

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

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Within 1 year | **20,215** | 20,669 |
| 1–2 years | **—** | 162 |
| 2–3 years | **104** | 74 |
| Over 3 years | **15** | 257 |
| | **20,334** | 21,162 |

## 14 DIVIDENDS

A dividend in respect of the year ended 31 December 2018 of RMB0.05 per share, amounted to a total dividend of RMB6,400,000, has been paid in 2019 (2018: RMB6,400,000).

No dividend of the year ended 31 December 2019 has been proposed by the Board of Directors of the Company.

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Proposed final dividend of Nil (2018: RMB0.05) per ordinary share | **—** | 6,400 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In 2019, Sunlit adhered to a prudent operating approach, adopted flexible sale strategy, refined its products, reinforced customer relations and consolidated its leadership position and market share in the industry against the backdrop of the escalating China-United States trade friction. Complicated market environment and industrial factors have, to a certain extent, affected the Group's performance for the Year. The overall results of the Group for the Year showed a decline as compared to that of 2018. Sales amounted to 134.8 million yuan in the Year, representing a decrease of 23.8% as compared to that of last year. Net profit of the Group for the year ended 31 December 2019 dropped to RMB8.1 million, mainly due to a drop in unit selling prices.

## FINANCIAL REVIEW

### Revenue

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | 2018 | | |
| | ***Unit(s) sold*** | ***RMB'000*** | ***%*** | *Unit(s) sold* | *RMB'000* | *%* |
| Brass electroplating wire production lines | **5** | **44,111** | **32.7** | 4 | 62,997 | 35.6 |
| Other production lines | **1** | **385** | **0.3** | 5 | 15,375 | 8.7 |
| Standalone machines | **575** | **68,507** | **50.8** | 565 | 72,618 | 41.1 |
| Other mould repairing equipment, components parts and accessories | **N/A** | **18,548** | **13.8** | N/A | 23,011 | 13.0 |
| Rental income | **N/A** | **2,973** | **2.2** | N/A | 2,856 | 1.6 |
| Agent business income | **N/A** | **233** | **0.2** | N/A | — | — |
| | | **134,757** | **100.0** | | 176,857 | 100.0 |

Our revenue decreased by approximately RMB42.1 million or approximately 23.8% to approximately RMB134.8 million for 2019 from approximately RMB176.9 million for 2018. The decrease is mainly due to a drop in unit selling prices.

*Brass electroplating wire production lines.* Revenue from sales of brass electroplating wire production lines decreased by approximately 30.0% to approximately RMB44.1 million for 2019 from approximately RMB63.0 million for 2018. 5 sets of brass electroplating wire production lines were accepted by the customers in 2019 while 4 sets were accepted by the customers in 2018. The decrease was mainly due to a drop in unit selling prices.

*Other production lines.* Revenue from sales of other production lines decreased by approximately 97.5% to approximately RMB0.4 million for 2019 from approximately RMB15.4 million for 2018. The decrease was mainly due to the decrease in sales quantity and the sales price of other production lines with less complicated manufacturing process.

*Standalone machines.* Revenue from sales of standalone machines decreased by approximately 5.7% to approximately RMB68.5 million for 2019 from approximately RMB72.6 million for 2018. The decrease was due to the drop in sales price of standalone machines.

*Other mould repairing equipment, components parts and accessories.* Revenue from sales of other mould repairing equipment, components parts and accessories decreased by approximately 19.4% to approximately RMB18.5 million for 2019 from approximately RMB23.0 million for 2018. The decrease was primarily due to the decrease in other mould repairing equipment sold to customers.

*Rental income.* Revenue from rental income arose from the Group's investment properties, which were rented to third parties in 2019 and 2018. As an investment property was acquired during 2019, the rental income has increased.

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

Our gross profit decreased by approximately 55.3% from approximately RMB68.4 million for 2018 to approximately RMB30.6 million for 2019. Our overall gross profit margin decreased from approximately 38.7% for 2018 to approximately 22.7% for 2019, mainly due to a drop in unit selling prices.

***Other income***

Our other income decreased by approximately 38.5% from approximately RMB2.0 million for 2018 to approximately RMB1.2 million for 2019, primarily due to less value-added tax refunds received.

***Selling expenses***

Our selling expenses increased by approximately 4.1% from approximately RMB4.6 million for 2018 to approximately RMB4.8 million for 2019, primarily due to the increase in transportation expenses.

***Administrative expenses***

Our administrative expenses increased from approximately RMB30.1 million for 2018 to approximately RMB35.9 million for 2019. This is primarily due to the increase in allowance for impairment of properties held for sale.

***Net reversal of impairment losses on financial assets***

Our net reversal of impairment losses on financial assets increased from approximately RMB8.4 million for 2018 to approximately RMB10.5 million for 2019, primarily due to the collection of long-aging accounts receivable.

***Other gains — net***

The Group recorded net other gains of approximately RMB5.3 million in 2019, compared with the net other gains of approximately RMB10.1 million in 2018. Other gains mainly included gains on disposal of financial assets at fair value through profit or loss and foreign exchange gains.

***Finance income***

The Group recorded finance income of approximately RMB4.2 million in 2019, compared with finance income of approximately RMB4.5 million in 2018. The decrease in finance income was mainly due to decrease of amortisation of unearned financial income.

***Income tax expense***

The Group recorded income tax expense of approximately RMB3.0 million for 2019, compared with the income tax expense of approximately RMB10.6 million for 2018. 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.

***Trade receivables***

Our gross trade receivables decreased by approximately 1.8% from approximately RMB140.3 million as at 31 December 2018 to approximately RMB137.8 million as at 31 December 2019. The decrease was primarily due to the decrease of revenue. Meanwhile, the Group collected approximately RMB17.1 million impaired trade receivables during 2019, and the allowance for trade receivables decreased from approximately RMB61.7 million at the end of 2018 to approximately RMB50.4 million at the end of 2019.

***Inventories***

Our inventories increased by approximately 35.1% from approximately RMB65.5 million at the end of 2018 to approximately RMB88.5 million at the end of 2019, mainly because the unfinished sales contracts as at 31 December 2019 increased as compared with those as at 31 December 2018.

***Trade and notes payables***

Our trade and notes payables increased by approximately 56.5% from approximately RMB39.4 million as at 31 December 2018 to approximately RMB61.6 million as at 31 December 2019, primarily due to the purchase volumes in the fourth quarter increased largely compared with last year.

## LIQUIDITY AND FINANCIAL RESOURCES

### Cash position and fund available

As at 31 December 2019, the total cash and bank balances of the Group were approximately RMB212.2 million (31 December 2018: approximately RMB278.1 million), comprising cash and cash equivalents of approximately RMB62.5 million (31 December 2018: approximately RMB134.8 million), restricted cash of approximately RMB24.3 million (31 December 2018: approximately RMB10.9 million) and time deposits of approximately RMB125.4 million (31 December 2018: approximately RMB132.4 million).

As at 31 December 2019, the current ratio of the Group was 5.1 (31 December 2018: 6.4). The decrease was mainly due to the increase of trade and other payables and contract liabilities.

The gearing ratio of the Group (calculated as total borrowings divided by total equity) was zero (31 December 2018: zero).

The Group was in a strong net cash position as at 31 December 2019 and 2018. The Group has sufficient and readily available finance resources for general working capital requirement and foreseeable capital expenditure.

### Borrowings

As at 31 December 2019, the Group had no borrowings (31 December 2018: Nil).

## CAPITAL EXPENDITURES

During the year, the Group's capital expenditures amounted to approximately RMB7.4 million (2018: approximately RMB2.5 million) which was related to the construction of buildings of approximately RMB1.3 million and the purchase of machineries and equipments of approximately RMB6.1 million.

## 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 transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

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

If the USD had strengthened/weakened by 5% against the RMB while all other variables had been held constant, the Group's net result for the year ended 31 December 2019 would have been approximately RMB4,058,000 better/worse (2018: RMB3,912,000), for various financial assets denominated in USD.

During the year, the Group did not use any financial instruments for hedging purposes. The management will continue to monitor foreign currency risk and adopt prudent measures as and when appropriate.

## 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 raised 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 has proposed to utilise part of the temporary idle raised 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 raised 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**").

At the annual general meeting of the Company held on 12 June 2019, the Board was authorised, within one year commencing from the approval, to exercise the decision-making power regarding purchase of wealth management products by utilising temporary idle proceeds for not more than RMB35 million in aggregate at any time. Since the authority granted to the Board to purchase wealth management products with the temporary idle proceeds will expire one year after such approval, a special resolution will be proposed at the forthcoming annual general meeting of the Company to renew such authority. For details of the grant of such authorities, please refer to the circular of the Company dated 23 April 2019.

Together with the income to be generated from the wealth management products, the Company will continue 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)* *(approximately)* | **Used up to 31 December 2019** *(approximately)* | **Unused balance up to 31 December 2019** *(Note 2)* *(approximately)* | **Expected timeline for unused net proceeds from the Listing** |
|---|---|---|---|---|
| Funding the construction of the New Wuxi Facility and the New Research & Development Centre | HK$163.00 million | HK$100.02 million | HK$70.99 million | by 2022 |
| Developing certain targeted research and development projects | HK$25.50 million | HK$21.91 million | HK$4.67 million | by 2022 |
| General working capital and other general corporate purposes | HK$21.00 million | HK$21.00 million | — | — |
| Total: | HK$209.50 million | HK$142.93 million | HK$75.66 million | |

*Note:*

(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 use of proceeds allocated to each of the purposes as disclosed in the Prospectus.

(2) As at 31 December 2019, the unutilised proceeds amounted to approximately HK$75.66 million. Among the unutilised proceeds of approximately HK$75.66 million, the Group utilised part of the proceeds for purchasing wealth management products, which amounted to approximately HK$35.0 million as at 31 December 2019. The remaining unused proceeds, including the net proceeds of HK$31.57 million and interest of net proceeds of HK$9.09 million, were deposited in licensed banks in the PRC.

## PROSPECTS

The state has made the development of new energy vehicles a national strategy in the medium to long run. Tires to be used by new energy vehicles usually have higher requirements in terms of lightness and low rolling resistance as compared with ordinary tires in order to improve the range and performance of the vehicle. Therefore, many tire manufacturers have started to develop new product lines with the aim of producing tires for new energy vehicles. Ranking first in the world in terms of tire production volume for 10 consecutive years, China has established a tire industry with comprehensive specifications and complete product lines, and is wielding influence on the globe. With respect to the replacement market, which accounts for 81% of global tire demand, world's demand is stable while the market in China has enormous room for growth. On the other hand, car ownership in China is rising year by year as Chinese per capita car ownership rate still lags behind world average. In view of these market trends, domestic demand for tires will rise steadily as a whole.

The current economic condition, both internal and external, is extremely complicated and difficult, and all real economies across the world are being affected. In anticipation of greater competition and challenges, Sunlit will bolster its management and control of product quality, sales services and production costs, make full use of its technological, research and development ("**R&D**") and management capabilities, boost its internal R&D capability, step up its R&D investment, refine existing product technologies, expand its offerings based on existing technologies and products, strengthen the competitiveness of its core products, extend the industrial applications of its products, and satisfy diversified requirements of the customers. Meanwhile, the management will study and apply marketing strategies to enlarge the customer base in order to safeguard the interest of the Group's shareholders.

## EMPLOYEE AND REMUNERATION INFORMATION

As at 31 December 2019, the Group employed a total of 146 full-time employees (31 December 2018: 138), including administration, finance, internal audit, research and development, technical application, quality control, manufacturing, procurement, sales and marketing staff. For the year ended 31 December 2019, the Group's total employee remuneration was approximately RMB18.9 million (2018: approximately RMB16.8 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 regard 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 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

## SIGNIFICANT INVESTMENTS

Save and except for the wealth management products as disclosed under paragraph headed "Discloseable Transactions in relation to Subscription of Wealth Management Product — Structured Deposit" below in this announcement, 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.

## TRANSACTION IN RELATION TO ACQUISITION OR DISPOSAL OF PROPERTIES

During the year, the Group had no transaction in relation to acquisition or disposal of properties.

## 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 9 units of residential units at the total consideration of approximately RMB3.7 million, the fair value of the unsold units as at 31 December 2019 is approximately RMB57.3 million, representing 7.7% of the total assets of the Group.

## CHARGE ON GROUP ASSETS

As at 31 December 2019, the cash deposits in the amount of approximately RMB24.3 million (31 December 2018: approximately RMB10.9 million) and commercial acceptance notes in the amount of RMB10.0 million (31 December 2018: Nil) were pledged to banks as security for notes payable and letter of guarantee for domestic sales. Save for that, the Group did not have any charges on its assets as at 31 December 2019 or 31 December 2018.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDS

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 elsewhere in this report, the Group had no future plans for material investments and expected source of funds as at 31 December 2019.

## DISCLOSEABLE TRANSACTIONS IN RELATION TO SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCT — STRUCTURED DEPOSIT

At the annual general meeting of the Company held on 12 June 2019, a special resolution has been passed by the Shareholders whereby, among other things, the Board was authorised to exercise within one year thereof the investment decision for purchasing wealth management products by utilising temporarily unused portion of the net proceeds of the Company, subject to the cap of RMB35 million.

On 19 July 2019, the Company subscribed for a wealth management product of structured deposit of China Merchants Bank Co., Ltd. ("**China Merchants Bank**") with an aggregate amount of RMB30 million (the "**Structured Deposit**"). Out of the total RMB30 million Structured Deposit, RMB28 million was financed by the temporarily unused portion of the net proceeds raised from the Listing and the remaining balance of RMB2 million was financed by the temporary idle internal funds of the Company.

The subscription amounts are aggregated in accordance with Rule 14.22 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the subscription exceed 5% but are below 25%, the subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the circular and shareholders' approval requirements, under Chapter 14 of the Listing Rules.

For details of the above transaction, please refer to the announcement of the Company dated 19 July 2019.

## 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.

## 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.

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

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this announcement was authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

## DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: final dividend of RMB0.05 per share).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 29 May 2020 to Monday, 29 June 2020, 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 Monday, 29 June 2020 will be entitled to attend and vote at the annual general meeting of the Company to be held on Monday, 29 June 2020 (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 Thursday, 28 May 2020.

## ANNUAL GENERAL MEETING

The AGM will be held on Monday, 29 June 2020. Notice of the AGM will be sent to the Shareholders according to the articles of association of the Company and the Listing Rules.

## 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 2019 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 2019. 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 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, 27 March 2020

*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. Liu Chaojian, Mr. Ho Yuk Ming, Hugo and Mr. Gao Fuping.*

* *For identification purposes only*