# DIWANG INDUSTRIAL HOLDINGS LIMITED
# 帝王實業控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1950)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2022, revenue was approximately RMB501,437,000 (2021: approximately RMB233,945,000), representing a year-on-year increase of 114.3%.

For the year ended 31 December 2022, gross profit was approximately RMB193,698,000 (2021: approximately RMB38,875,000), representing a year-on-year increase of 398.3%.

For the year ended 31 December 2022, profit for the year attributable to owners of the Company was approximately RMB21,851,000, while the Group recorded loss of the year attributable to owners of the Company of approximately RMB2,600,000 for the Prior Year.

For the year ended 31 December 2022, basic earnings per share of the Company was RMB1.70 cents (2021: basic loss per share: RMB0.23 cents).

The Board has resolved not to declare the final dividend for the year ended 31 December 2022.

The board (the "**Board**") of directors (the "**Directors**") of Diwang Industrial Holdings Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "**Group**", "**We**" and "**Our**") for the year ended 31 December 2022 (the "**Year**" or "**Reporting Period**") prepared in accordance with the International Financial Reporting Standards, together with the comparative information for the year ended 31 December 2021 (the "**Prior Year**") as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*FOR THE YEAR ENDED 31 DECEMBER 2022*

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Revenue** | 5 | **501,437** | 233,945 |
| Cost of sales | | **(307,739)** | (195,070) |
| **Gross profit** | | **193,698** | 38,875 |
| Other income | 6 | **1,392** | 2,824 |
| Other gains and losses | 7 | **(703)** | 2,945 |
| Impairment losses under expected credit loss model, net of reversal | | **(2,239)** | (481) |
| Loss on disposal of financial assets at fair value though profit or loss | | **(10,416)** | (1,762) |
| Loss on fair value change of financial assets at fair value though profit or loss | | **(10,585)** | (11,700) |
| Selling and distribution expenses | | **(77,100)** | (8,252) |
| Administrative and general expenses | | **(30,900)** | (23,889) |
| Share of result of an associate | | **(77)** | (36) |
| Finance costs | 8 | **(403)** | – |
| **Profit/(loss) before tax** | 9 | **62,667** | (1,476) |
| Income tax expenses | 10 | **(23,049)** | (1,124) |
| **Profit/(loss) for the year** | | **39,618** | (2,600) |
| **Profit/(loss) for the year attributable to:** | | | |
| Owners of the Company | | **21,851** | (2,600) |
| Non-controlling interests | | **17,767** | – |
| | | **39,618** | (2,600) |
| **Profit/(loss) per share (RMB cents)** | | | |
| Basic | 12 | **1.70** | (0.23) |
| Diluted | 12 | **N/A** | N/A |

| | Notes | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|---|
| **Profit/(loss) for the year** | | **39,618** | (2,600) |
| **Other comprehensive income/(loss)** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange difference on translating foreign operation | | **2,763** | (4,131) |
| **Other comprehensive income/(loss) for the year** | | **2,763** | (4,131) |
| **Total comprehensive income/(loss) for the year** | | **42,381** | (6,731) |
| **Total comprehensive income/(loss) for the year attributable to:** | | | |
| Owners of the Company | | **24,614** | (6,731) |
| Non-controlling interests | | **17,767** | – |
| | | **42,381** | (6,731) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 31 DECEMBER 2022*

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **108,507** | 88,804 |
| Right-of-use assets | | **26,282** | 26,888 |
| Interest in an associate | | **2,887** | 2,964 |
| Deferred tax assets | | **781** | 445 |
| | | **138,457** | 119,101 |
| **Current assets** | | | |
| Inventories | | **98,242** | 31,276 |
| Trade and bills receivables | *13* | **144,766** | 90,357 |
| Prepayments, deposits and other receivables | | **6,610** | 2,453 |
| Financial assets at fair value through profit or loss | | **7,763** | 36,262 |
| Pledged bank deposits | | **2,428** | 5,278 |
| Bank balances and cash | | **48,112** | 28,447 |
| | | **307,921** | 194,073 |
| **Current liabilities** | | | |
| Trade and bills payables | *14* | **68,656** | 38,011 |
| Other payables and accruals | | **8,493** | 4,852 |
| Deferred income | | **137** | 137 |
| Amount due to a related company | | **447** | – |
| Tax payables | | **7,852** | 48 |
| Bank borrowings | | **10,000** | – |
| | | **95,585** | 43,048 |
| **Net current assets** | | **212,336** | 151,025 |
| **Total assets less current liabilities** | | **350,793** | 270,126 |

| | Notes | **2022** | 2021 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Non-current liability** | | | |
| Deferred income | | **410** | 547 |
| **Net assets** | | **350,383** | 269,579 |
| **Capital and reserves** | | | |
| Share capital | *15* | **4,962** | 4,152 |
| Reserves | | **326,179** | 265,427 |
| Total equity attributable to owners of the Company | | **331,141** | 269,579 |
| Non-controlling interest | | **19,242** | – |
| **Total equity** | | **350,383** | 269,579 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2022*

### 1. GENERAL INFORMATION

Diwang Industrial Holdings Limited (formerly known as Sunlight Technology Holdings Limited) (the "**Company**") was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. The registered office address is at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. The principal place of business of the Company is Suites 4404-10, 44/F, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong.

The Company is an investment holding company and its subsidiaries (the "**Group**") are principally engaged in the manufacturing and sales of faux leather chemicals and Chinese baijiu. The shares of the Company (the "**Shares**") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the presentation currency of the Company. All values are rounded to the nearest thousands ("**RMB'000**") except otherwise indicated. The consolidated financial statements are presented in RMB, which is different from the Company's functional currency of Hong Kong dollars ("**HK$**"). The directors of the Company adopted RMB as presentation currency as the Group's operating activities are carried out in the PRC.

### 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

**Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendment to IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendment to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to IFRSs | Annual Improvements to IFRSs 2018-2020 |

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Impacts on application of Amendments to IAS 16 property and equipment – Proceeds before Intended Use**

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 Inventories.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

**Impacts on application of Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract**

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application on 1 January 2022. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

**Impacts on application of Amendments to IFRSs Annual Improvements to IFRSs 2018-2020**

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

**IFRS 9 Financial Instruments**

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

**IFRS 16 Leases**

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

**New and amendments to IFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[3] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants[3] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to IAS 8 | Definition of Accounting Estimates[1] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

**Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

**Amendments to IAS 1 Non-current Liabilities with Covenants ("the 2022 Amendments")**

The 2022 Amendments modify the requirements introduced by the amendments to IAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("**the 2020 Amendment**") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

**Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies**

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgement (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

**Amendments to IAS 8 Definition of Accounting Estimates**

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements information is considered material if such information is reasonably expected to influence decision made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

## 4. SEGMENT INFORMATION

**Operating segment information**

The Group's most senior executive management has been identified as the chief operating decision maker ("**CODM**") who reviews the Group's internal reporting in order to assess performance and allocate resources. Segment information reported to the Board, being the CODM, for the purposes of resource allocation and assessment of segment performance, focuses on the types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed.

For the year ended 31 December 2021, the Group was principally engaged in the manufacturing and sales of faux leather chemicals. Information reported to the Group's CODM for the purpose of resources allocation and performance assessment, focused on the operating results of the Group as a whole as the Group's resources were integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information was presented.

During the year ended 31 December 2022, the Group commenced the business of engaging in sales of Chinese baijiu, and it is considered as a new operating and reportable segment by the CODM. Therefore, the Group's reportable and operating segments for the year ended 31 December 2022 are as follows:

(a) Faux leather chemicals – manufacturing and sales of faux leather chemicals

(b) Chinese liquor business – production and sales of wine products, including Chinese baijiu

No operating segments have been aggregated in arriving at the above reportable segments of the Group.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

**Year ended 31 December 2022**

| | **Faux leather chemicals** *RMB'000* | **Chinese liquor business** *RMB'000* | **Consolidated** *RMB'000* |
|---|---|---|---|
| SEGMENT REVENUE | | | |
| External sales | **260,245** | **241,192** | **501,437** |
| Segment profit | **11,679** | **82,813** | **94,492** |
| Other income | | | **1,392** |
| Other gains and losses | | | **(703)** |
| Share of results of an associate | | | **(77)** |
| Loss on disposal of financial assets at FVTPL | | | **(10,416)** |
| Loss on fair value change of financial assets at FVTPL | | | **(10,585)** |
| Finance costs | | | **(403)** |
| Unallocated corporate expenses | | | **(11,033)** |
| Group's profit before tax | | | **62,667** |

Year ended 31 December 2021

| | Faux leather chemicals *RMB'000* | Chinese liquor business *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|
| SEGMENT REVENUE | | | |
| External sales | 233,945 | – | 233,945 |
| Segment profit | 12,249 | – | 12,249 |
| Other income | | | 2,824 |
| Other gains and losses | | | 2,945 |
| Share of results of an associate | | | (36) |
| Loss on disposal of financial assets at FVTPL | | | (1,762) |
| Loss on fair value change of financial assets at FVTPL | | | (11,700) |
| Unallocated corporate expenses | | | (5,996) |
| Group's loss before tax | | | (1,476) |

The following is an analysis of the Group's assets and liabilities by reportable segments:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| ***Assets*** | | |
| Faux leather chemicals | **266,508** | 265,073 |
| Chinese liquor business | **116,535** | – |
| Unallocated corporate assets | **63,335** | 48,101 |
| Consolidated total assets | **446,378** | 313,174 |

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| ***Liabilities*** | | |
| Faux leather chemicals | **42,030** | 42,827 |
| Chinese liquor business | **40,857** | – |
| Unallocated corporate liabilities | **13,108** | 768 |
| Consolidated total liabilities | **95,995** | 43,595 |

For the purposes of monitoring segment performance and allocating resources between segments:

– Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, share of results of an associate, loss on disposal of financial assets at FVTPL, loss on fair value change of financial assets at FVTPL, finance cost and unallocated corporate expenses.

– all assets are allocated to reportable segments other than investment in an associate, financial assets at FVTPL and corporate assets.

– all liabilities are allocated to reportable segments other than corporate liabilities.

*Other segment information*

| | **Faux leather chemicals** *RMB'000* | **Chinese liquor business** *RMB'000* | **Unallocated** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | |
| Capital expenditure *(note (a))* | **27,593** | **–** | **–** | **27,593** |
| Depreciation of property, plant and equipment | **6,925** | **–** | **–** | **6,925** |
| Depreciation of right-of-use assets | **606** | **–** | **–** | **606** |
| Allowance for expected credit losses, net | **1,708** | **531** | **–** | **2,239** |

| | Faux leather chemicals *RMB'000* | Chinese liquor business *RMB'000* | Unallocated *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | |
| Capital expenditure *(note (a))* | 35,294 | – | – | 35,924 |
| Depreciation of property, plant and equipment | 6,673 | – | – | 6,673 |
| Depreciation of right-of-use assets | 606 | – | – | 606 |
| Allowance for expected credit losses, net | 481 | – | – | 481 |

*Note:*

(a) Capital expenditure consists of additions of property, plant and equipment and right-of-use assets.

***Geographical information***

The Group's operations are principally in the PRC and all its non-current assets are situated in the PRC.

The Group's revenue are derived from the PRC and overseas (i.e. Mexico, Turkey and Vietnam) based on the location of goods delivered, as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| The PRC | **497,849** | 229,514 |
| Overseas | **3,588** | 4,431 |
| | **501,437** | 233,945 |

***Information about a major customer***

Revenue from a customer during the years contributing individually over 10% of the Group's revenue is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Customer A[1] | **–**[2] | 29,711 |

[1] Revenue from sales of faux leather chemicals

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group for the corresponding year

## 5. REVENUE

### (a) Analysis of revenue

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers: | | |
| *Recognised on a point in time basis* | | |
| Sales of faux leather chemicals | **260,245** | 233,945 |
| Sales of Chinese baijiu | **241,192** | – |
| | **501,437** | 233,945 |

(b) **Performance obligations for contracts with customers**

***Manufacturing and sales of faux leather chemicals and Chinese baijiu***

Revenue from sales of faux leather chemicals and Chinese baijiu are recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

(c) **Transaction price allocated to the remaining performance obligation for contract with customers**

The Group has applied the practical expedient under IFRS 15 so that transaction price allocated to unsatisfied performance obligations under contracts for sales of faux leather chemicals and sales of Chinese baijiu are not disclosed as such contracts have an original expected duration of one year or less.

## 6. OTHER INCOME

| | **Year ended 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Bank interest income | **181** | 893 |
| Government grants *(note)* | **695** | 1,432 |
| Dividend income on financial assets at FVTPL | **–** | 253 |
| Sundry income | **516** | 246 |
| | **1,392** | 2,824 |

*note:* Government grants represent various forms of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The Group also received government grants in respect of its investments in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

## 7. OTHER GAINS AND LOSSES

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Loss on disposal of property, plant and equipment | **(831)** | (148) |
| Written off of property plant and equipment | **(1)** | – |
| Exchange gain, net | **129** | 3,043 |
| Bad debt recovery | **–** | 50 |
| | **(703)** | 2,945 |

## 8. FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank borrowings | **403** | – |

## 9. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Auditor's remuneration | **666** | 850 |
| Cost of inventories sold | **307,739** | 195,070 |
| Depreciation: | | |
| – Depreciation of property, plant and equipment | **6,925** | 6,673 |
| – Depreciation of right-of-use assets | **606** | 606 |
| | **7,531** | 7,279 |
| Less: amount included in cost of sales | **(5,487)** | (4,910) |
| | **2,044** | 2,369 |
| Provision for impairment loss under ECL model on: | | |
| – trade receivables | **2,239** | 478 |
| – other receivables | **–** | 3 |
| | **2,239** | 481 |

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Directors' remuneration | **1,832** | 1,173 |
| Staff costs (excluding directors' remuneration) | | |
| – wages, salaries, allowances and bonus | **24,105** | 16,624 |
| – contributions to retirement benefits schemes | **3,319** | 2,378 |
| | **27,424** | 19,002 |
| Less: amounts included in cost of sales | **(9,863)** | (6,369) |
| | **17,561** | 12,633 |
| Advertising expenses (included in selling and distribution expenses) | **66,320** | – |
| Research and development expenses (included in administrative and general expenses) | **9,618** | 9,276 |
| Expenses for short term lease | **1,257** | 365 |

## 10. INCOME TAX EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| PRC Enterprise Income Tax ("**EIT**") | | |
| – Current income tax | **23,385** | 1,184 |
| Deferred tax | **(336)** | (60) |
| Total tax charge for the year | **23,049** | 1,124 |

**The PRC**

The income tax provision of the Group in respect of its operations in the PRC was calculated at tax rate of 25% on the assessable profits for the Reporting Period, based on the existing legislation, interpretations and practices in respect thereof, except as described below.

Zhejiang Sunlight Material Technology Co., Ltd. is approved as "high and new technology enterprise" and accordingly, it is subject to a reduced preferential corporate income tax rate of 15% for the Reporting Period.

**Cayman Islands, BVI and Hong Kong**

No Provision for taxation has been recognised for companies incorporated in the Cayman Islands, BVI and Hong Kong as they are not subject to any tax during the years ended 31 December 2022 and 2021.

**Withholding Tax in Mainland China ("WHT")**

According to the New Corporate Income Tax Law ("**New EIT Law**"), distribution of profits earned by companies in Mainland China since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas incorporated immediate holding companies.

As at 31 December 2022, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding company incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB108,002,000 (2021: RMB63,290,000). For this unrecognised amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

## 11. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the Reporting Period (2021: RMB Nil).

## 12. PROFIT/(LOSS) PER SHARE

The calculation of the basic profit/(loss) per share during the period is based on the profit for the year attributable to owners of the Company of approximately RMB21,851,000 (2021: loss of RMB2,600,000) and the weighted average number of ordinary shares in issue during the period of 1,282,191,781 (2021: 1,146,301,370 shares).

| | **Year ended 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| Profit/(loss) for the year attributable to owners of the Company (RMB'000) | **21,851** | (2,600) |
| Weighted average number of ordinary shares ('000) | **1,282,192** | 1,146,301 |
| Basic profit/(loss) per share (RMB cents) | **1.70** | (0.23) |

No diluted loss per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue during the years ended 31 December 2022 and 2021.

## 13. TRADE AND BILLS RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables *(note i)* | **126,923** | 85,347 |
| Less: provision for impairment | **(5,209)** | (2,970) |
| | **121,714** | 82,377 |
| Bills receivables *(note ii)* | **23,052** | 7,980 |
| Total trade and bills receivables – net | **144,766** | 90,357 |

*notes:*

(i) The following is an ageing analysis of gross amount of trade receivables presented based on the invoice date:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 30 days | **54,873** | 27,144 |
| 31 to 90 days | **37,553** | 36,562 |
| 91 to 180 days | **19,308** | 14,589 |
| 181 to 365 days | **13,220** | 5,669 |
| Over 1 year | **1,969** | 1,383 |
| | **126,923** | 85,347 |

Movements on the provision for impairment of trade receivables are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At the beginning of the year | **2,970** | 2,564 |
| Provision for impairment | **2,239** | 478 |
| Written-off | **–** | (72) |
| At the end of the year | **5,209** | 2,970 |

(ii) The following is an ageing analysis of gross amount of bills receivable presented based on the invoice date:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 30 days | **8,471** | 5,896 |
| 31 to 90 days | **10,267** | 1,292 |
| 91 to 180 days | **4,314** | 792 |
| 181 to 365 days | **–** | – |
| Over 1 year | **–** | – |
| | **23,052** | 7,980 |

As at 31 December 2022 and 2021, all bills receivables are with a maturity period of less than 6 months.

The Group manages its bills receivables using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets and hence, they are categorised as financial assets measured at fair value through other comprehensive income under IFRS 9.

## 14. TRADE AND BILLS PAYABLES

| | **As at 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **60,562** | 20,418 |
| Bills payables | **8,094** | 17,593 |
| | **68,656** | 38,011 |

The average credit period from suppliers is up to 30 to 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the Reporting Period:

| | **As at 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Within 30 days | **51,577** | 13,655 |
| 31 to 90 days | **6,300** | 6,098 |
| 91 to 180 days | **1,930** | 511 |
| 181 to 365 days | **283** | 16 |
| Over 1 year | **472** | 138 |
| | **60,562** | 20,418 |

As at 31 December 2022 and 2021, all bills payables are with a maturity period of less than 6 months.

## 15. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

| | **Number of shares** | **Share Capital** *RMB'000* |
|---|---|---|
| Authorised: | | |
| **At 1 January 2021, 31 December 2021 and 31 December 2022, ordinary share of US$0.0005 each** | 2,000,000,000 | 6,700 |
| Issued and fully paid: | | |
| At 1 January 2021 | 1,000,000,000 | 3,497 |
| Placing of new shares *(Note (a))* | 200,000,000 | 655 |
| **At 31 December 2021** | 1,200,000,000 | 4,152 |
| Placing of new shares *(Note (b))* | 240,000,000 | 810 |
| **At 31 December 2022** | 1,440,000,000 | 4,962 |

*Notes:*

(a) On 9 April 2021, the Company completed a share placing for an aggregate for 200,000,000 shares at a placing price of HK$0.240 per share to independent investors. The gross proceeds from the placing was approximately HK$48,000,000 (equivalent to RMB40,216,000), the net proceeds was approximately HK$46,500,000 (equivalent to RMB38,959,000) and HK$45,718,000 (equivalent to RMB38,304,000) was recognised at share premium. Details of the placement are set out in the Company's announcements dated 9 April 2021.

(b) On 29 August 2022, the Company completed a share placing for an aggregate for 240,000,000 shares at a placing price of HK$0.180 per share to independent investors. The gross proceeds from the placing was approximately HK$43,200,000 (equivalent to RMB37,485,000), the net proceeds was approximately HK$42,580,000 (equivalent to RMB36,948,000) and HK$41,645,000 (equivalent to RMB36,136,000) was recognised at share premium. Details of the placement are set out in the Company's announcements dated 29 August 2022.

(c) All the shares issued ranked pari passu in all respects with the existing shares in issue.

## 16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Board proposed to implement the following changes in the Company's shares:

(i) the Share Consolidation whereby every five (5) issued and unissued Existing Shares of par value of US$0.0005 each will be consolidated into one (1) Consolidated Share of par value of US$0.0025 each.

(ii) increase the authorised share capital of the Company from US$1,000,000 divided into 2,000,000,000 Existing Shares to US$5,000,000 divided into 10,000,000,000 Existing Shares (or 2,000,000,000 Consolidated Shares upon the Share Consolidation becoming effective). Subject to passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of EGM.

(iii) Subject to, among other things, the Share Consolidation and the Increase in Authorised Share Capital having become effective, the Board proposes to conduct the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK$0.67 per Rights Share, to raise up to approximately HK$289,000,000 before expenses by way of issuing up to 432,000,000 Rights Shares. Assuming that there is no change in the number of issued Shares on or before the Record Date, the estimated net proceeds of the Rights Issue will be approximately HK$287,000,000.

Details of the above proposed Share Consolidation, Increase in Authorised Share Capital and proposed Right Issues are set out in the Company's announcement dated 3 March 2023.

As at the date of approval for issuance of the consolidated financial statements, the proposed Share Consolidation, Increase in Authorised Share Capital and proposed Right Issues have not yet taken place.

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW AND PROSPECTS

During the Year, the Group engaged in two primary business activities: the research and development, manufacturing, and sale of coating agents and synthetic resins (the "**Faux Leather Chemicals Business**") and the manufacturing and sale of Chinese liquor products (the "**Chinese Liquor Business**"), the latter of which began in the second quarter of the Year.

## FAUX LEATHER CHEMICALS BUSINESS

Revenue generated from the Faux Leather Chemicals Business increased by approximately RMB26,300,000 or 11.2% from approximately RMB233,945,000 for the Prior Year to approximately RMB260,245,000 for the Year, primarily due to the gradual recovery of the global economy from the COVID-19 pandemic and the increase of consumer demands in various major industries. During the Year, despite factors such as the high oil price, the international and domestic epidemics and blocked export logistics which created downward pressure on the product margins, the turnover recorded an increase for the whole Year. The gross profit this segment for the Year was approximately RMB40,760,000 (2021: RMB38,875,000).

The gross profit margin decreased from approximately 16.6% to approximately 15.7% for the Year, which was mainly attributable to the increase in the price of raw materials because of the high oil price during the Year.

Selling and distribution expenses for the Year were approximately RMB9,427,000 (2021: RMB8,252,000). The increase in selling and distribution expenses was mainly due to the increase in sales and marketing activities. Selling and distribution expenses for the Year accounted for approximately 3.62% (2021: approximately 3.53%) of the segment revenue. Segment profit was approximately RMB11,679,000 (2021: RMB12,249,000)

## CHINESE LIQUOR BUSINESS

In the second quarter of the Year, the Group began manufacturing and selling of Chinese baijiu products in the PRC with a view to exploring business opportunities in the food and beverage business in the PRC.

During the Year, 貴州帝池王醬酒業有限公司 (Guizhou Dichiwang Sauce And Wine Company Limited*) ("**Guizhou Dichiwang**"), a non-wholly owned subsidiary of the Company was established under the laws of the PRC in which the Group indirectly owns 70.5% of its equity interest and 湖南金鎧文化傳播有限責任公司 (Hunan Jinkai Culture Communication Company Limited*) owns 29.50% of its equity interest.

Guizhou Dichiwang procures all necessary raw materials itself in producing Chinese baijiu products and outsources the manufacturing process through an original equipment manufacturer to an independent wine factory to produce Chinese baijiu products. The Chinese baijiu products of Guizhou Dichiwang comprise a comprehensive range of products with varied packaging, alcohol content, design, taste, etc., targeting the young to middle-aged public to middle class consumer market in the PRC. Guizhou Dichiwang's Chinese baijiu products are sold under the "Diwang Chi"（帝王池）label.

During the Year, the segment revenue from Chinese Liquor Business was approximately RMB241,192,000. The gross profit was approximately RMB152,938,000 after accounting for the cost of raw materials and production fee. The Company promotes and explores sales channels of its Chinese baijiu products by (i) placing advertisements at airports, train stations and online media platforms; and (ii) hosting wine tasting events and various wine exhibitions and wine trade fairs in the PRC. During the Year, the relevant selling and distribution expenses approximately accounted for approximately 28.06% of the segment revenue. Segment profit was approximately RMB82,813,000 (2021: N/A)

## DIVIDENDS

The Board has resolved not to declare the final dividend for the year ended 31 December 2022.

## PROSPECT

### Our Business Strategies and Future Prospects

As we enter 2023, our Group is striving to build resilience in a time of uncertainty.

The economic outlook remains uncertain in 2023. Global economies will continue to face multiple macroeconomic headwinds, including geopolitical uncertainties, inflation and tightened financial conditions. Many industries are still plagued by supply chain issues that emerged in recent years. Ongoing inflation and subdued economic growth are expected. In order to combat this, our Group aims to improve our resilience in through strategic management, development and expansion of our two core businesses as well as building protective measures into supply chains to deal with shortages and rising business costs.

Following the pace of the development of our businesses last year, we will diversify the product and market segmentation, for the Chinese Liquor Business, such as launching sizeable advertising campaigns across different districts in the PRC and setting up ancient-Chinese-style bistros in the PRC. For the Faux Leather Chemical Business, we will further invest in and upgrade the automation system in production to improve the production efficiency, safety and environmental level. Through research and development and additional production facilities, we continue to improve our product quality and increase our product competitiveness.

Meanwhile, the Group will continue to monitor the development of economic turmoil in overseas and take proactive measures if other external factors arise from geopolitical risk. Through the implementation of strategies as mentioned above, we strives to map out our entire supply chains and identify any exposure to supply and inflation risks.

We foresee that the gradual recovery of the global economy will bring new opportunities to our businesses. We will actively assess its impact on the financial position and operating results of the Group from time to time, while maintaining our primary focus on minimizing the impact. As we hope for a year of reduced conflict and increased stability in 2023, we are committed to looking for opportunities to expand the business scope and broaden the income stream of the Group. By investing strategically and partnering where appropriate, we are confident that we will continue to create long-term, sustainable value for all stakeholders.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's current assets were approximately RMB307,921,000 (31 December 2021: RMB194,073,000), mainly comprising cash and bank balances (including pledged bank deposits), inventories, trade and bills receivables, prepayments, deposits and other receivables and financial assets at fair value through profit or loss. The Group's current liabilities were approximately RMB95,585,000 (31 December 2021: RMB43,048,000). The current ratio (the ratio of current assets to current liabilities) decreased from approximately 4.51 times as at 31 December 2021 to approximately 3.22 times as at 31 December 2022.

As at 31 December 2022, bank borrowings were approximately RMB10,000,000 (31 December 2021: Nil) which carried fixed rate and denominated in RMB.

### Gearing ratio

The gearing ratio is the ratio of net debt divided by total equity. Net debt is calculated as total debt net of cash and cash equivalents. As at 31 December 2022, the Group recorded a net cash position (31 December 2021: the Group recorded a net cash position) and hence, no gearing ratio is computed for the end of the Year.

### Capital expenses

During the Year, the Group's capital expenditure was approximately RMB27,593,000, representing an decrease of RMB7,701,000 as compared to that of RMB35,294,000 in the Prior Year. Capital expenditure relates primarily to the purchase of plant and equipment.

## Capital Commitments

The capital commitments not provided for in the condensed consolidated financial statements as at 31 December 2022 was RMB1,044,000 (31 December 2021: RMB7,213,000), which represented the purchase of plant and machinery and automation transformation contracts.

## Capital structure

The number of issued ordinary shares of the Company (the "**Shares**") as at 31 December 2022 was 1,440,000,000 Shares (31 December 2021: 1,200,000,000 Shares).

## Placing of new shares under general mandate on 29 August 2022

On 28 June 2022, the Company and a placing agent (the "**Placing Agen**t") entered into a placing agreement pursuant to which the Placing Agent conditionally agreed to place, on a best effort basis, an aggregate of 240,000,000 placing shares (the "**Placing Shares**") at HK$0.18 per Placing Share to not less than six share placees (the "**Share Placees**") under the general mandate (the "**Placing**"). The placing price of the Placing Shares was approximately a discount of 9.55% to the closing price of the Shares of HK$0.199 per Share as quoted on the Stock Exchange on 28 June 2022. On 29 August 2022, 240,000,000 Placing Shares were allotted and issued by the Company to the Share Placees who are independent third parties.

The net proceeds from the Placing was approximately HK$42,580,000 (equivalent to approximately RMB36,947,000) or at the net price of approximately HK$0.177 per Share. The Company intends to apply the net proceeds from the Placing to the business development of the Chinese Liquor Business as to (i) approximately HK$10,000,000 for launching similar Chinese baijiu products tasting and recommendation events in different districts in the PRC in the upcoming twelve months for expanding its customer base and sales network; (ii) approximately HK$11,290,000 for the procurement of raw materials to manufacture the Group's Chinese baijiu products; and (iii) approximately HK$21,290,000 for general working capital of the Group.

Details of the Placing were set out in the announcements of the Company dated 28 June 2022, 18 July 2022, 27 July 2022, 5 August 2022, 24 August 2022 and 29 August 2022.

As at the date of this announcement, (i) & (ii) as abovementioned have been utilized for the business development of the Chinese Liquor Business as intended; and approximately HK$19,590,000 has been utilized for the general working capital of the Group including (a) approximately HK$11,290,000 for staff cost; (b) approximately HK$5,000,000 for selling and distribution expenses; and (c) approximately HK$3,300,000 for other office overhead and general corporate purposes. The remaining unutilised proceeds of approximately HK$1,700,000 will be utilized as intended by 31 August 2023.

## INVESTMENTS

As at 31 December 2022, the Group had invested in the shares of companies listed on the Stock Exchange with a total carrying amount of approximately RMB7,763,000 (equivalent to approximately HK$8,690,000) (31 December 2021: RMB36,262,000 (equivalent to approximately HK$44,492,000)). The Board considers any single investment with fair value accounting for more than 5% of the total assets of the Group as a significant investment. As the Group did not have any single investment accounting for 5% or more of the total assets of the Group as at 31 December 2022, the Group did not have any significant investments as at 31 December 2022.

The portfolio of equity investments as at 31 December 2022 are set out as follows:

| | **Investment cost** | **Unrealised fair value loss as at 31 December 2022** | **Fair value of the investment in listed securities as at 31 December 2022** | **Percentage of fair value of the investment in listed securities/ total assets of the Group as at 31 December 2022** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | |
| Financial assets at fair value through profit or loss | 23,425 | (15,662) | 7,763 | 1,74% |

During the Reporting Period, details of the performance of financial assets at fair value through profit or loss during the year ended 31 December 2022 are as follows:

| **Description of investments** | **Realised fair value loss for the year ended 31 December 2022** | **Unrealised fair value loss for the year ended 31 December 2022** | **Dividend received during the year ended 31 December 2022** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Listed securities in Hong Kong | (10,416) | (10,585) | – |

In view of the recent volatility in the securities market, the Directors expect the stock market will remain volatile in the coming year and the Group will continue to adopt the cautious approach in making investment decision in securities trading so as to obtain a balance between risk and return.

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates, joint ventures and capital assets during the year ended 31 December 2022.

## CONTINGENT LIABILITIES

As at 31 December 2022, we did not record any material hire purchase commitments, contingent liabilities, guarantees or litigations against us.

## FOREIGN CURRENCY RISK AND MANAGEMENT

The Group's sales and purchases are mainly denominated in RMB. The Group retains some of its foreign currency denominated funds, which are mainly denominated in Hong Kong dollars. Fluctuations in exchange rates have an impact on the foreign currency reserve and the Company is exploring and discussing measures to cope with the foreign exchange risk. As at 31 December 2022, the Group did not enter into any financial instruments to hedge foreign exchange.

## HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 200 (2021: 180) employees. The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees.

The Group provides employee benefits in accordance with the relevant laws and regulations. As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group believes that it maintains a good working relationship with its employees. The employees in Hong Kong are members of the Mandatory Provident Fund Scheme of Hong Kong.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own corporate governance code. The Company is committed to the establishment of good corporate governance practices and procedures with a view of becoming a transparent and responsible organisation which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is essential for creating greater value to its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for Shareholders. Since the Listing Date and up to the date of this announcement, the Group has strictly complied with the Corporate Governance Code.

Since the Listing Date and up to the date of this report, the Group has strictly complied with the CG Code with the exception of the following deviations:

1. Code Provision C.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate. Code Provisions C.2.2 to C.2.9 further stipulate the various roles and responsibilities of the chairman. The Company's chairman of the Board (the "**Chairman**") Ms. Liu Jing resigned with effect from 25 May 2022. No replacement appointment of the Chairman was made after Ms. Liu Jing's resignation and the Company has not had a Chairman since 25 May 2022. The Company will publish an announcement once an appointment has been made in accordance with the Listing Rules.

2. Code Provision C.6.3 of the CG Code stipulates that the company secretary should report to the board chairman and/or the chief executive. As the Company did not have a Chairman or chief executive following the resignation of Ms. Liu Jing, the joint company secretaries of the Company have reported to the executive Directors since 25 May 2022.

3. Code Provision F.2.2 of the CG Code stipulates that the chairman should attend the annual general meeting and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Ms. Liu Jing, as the Chairman and the chairman of the nomination committee of the Company (the "**Nomination Committee**"), did not attend the annual general meeting of the Company held on 24 May 2022. However, Mr. Chen Hua, an executive Director, took the chair of the meeting. The two members of the Nomination Committee, Mr. Ho Ho Tung Armen and Mr. Lee Cheung Yuet Horace both attended the meeting and were available to answer any questions and ensure effective communication with the Shareholders.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions since the Listing Date. Following a specific enquiry made by the Company with each of the Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

## PURCHASE, SALE AND REDEMPTION OF THE 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 Reporting Period.

## PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules during the Reporting Period and up to the date of this announcement. The Company maintained the minimum level of public float of 25% of its total issued share capital.

## EVENTS SUBSEQUENT TO REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Company proposed to (i) implement a share consolidation, pursuant to which every five (5) issued and unissued Shares of US$0.0005 each will be consolidated into one (1) consolidated Share of US$0.0025 each (the "**Share Consolidation**"); (ii) increase the authorised share capital of the Company from US$1,000,000 divided into 2,000,000,000 Shares to US$5,000,000 divided into 10,000,000,000 Shares (or 2,000,000,000 consolidated Shares upon the Share Consolidation becoming effective) (the "**Increase in Authorised Share Capital**"); and (iii) subject to the Share Consolidation and the Increase in Authorised Share Capital having become effective, conduct a rights issue on the basis of three (3) rights Shares ("**Rights Shares**") for every two (2) consolidated Shares held on the Record Date at the subscription price of HK$0.67 per Rights Share, to raise up to approximately HK$289,440,000 before expenses by way of issuing up to 432,000,000 Rights Shares (the "**Rights Issue**").

On 3 March 2023, the Company entered into a placing agreement (the "**Placing Agreement**") with a placing agent (the "**Placing Agent**"), pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreement to act as the placing agent for the Company to procure, on a best effort basis, places to subscribe for the Shares not taken up during the Rights Issue and/or the Rights Shares which would otherwise have been provisionally allotted to the non-qualifying Shareholders in nil-paid form that have not been sold to the Company, on the terms and subject to the conditions set out in the Placing Agreement (the "**Placing**"). Under the terms of the Placing Agreement, if all the rights Shares are already full taken up in the Rights Issue, the Placing will not proceed.

The Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing are conditional upon, among other things, approval by the Shareholders at an extraordinary general meeting of the Company.

For further details, please refer to the announcement of the Company dated 3 March 2023.

Save as disclosed above, the Directors are not aware of any significant event which had a material effect on the Group subsequent to 31 December 2022 and up to the date of this announcement.

## USES OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING ON 12 MARCH 2020 (THE "INITIAL PUBLIC OFFERING")

The shares of the Company were listed on the Main Board of the Stock Exchange on 12 March 2020. Net proceeds from the Initial Public Offering were approximately RMB72.4 million (equivalent to approximately HK$84.7 million). The intended uses of the proceeds from the Initial Public Offering were set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 27 February 2020 (the "**Prospectus**").

As at 31 December 2022, the Company utilised a total of approximately RMB72.4 million for the purposes as listed below.

| Intended uses of proceeds | Use of proceeds in the same manner and proportion as stated in the Prospectus | Actual use of proceeds as at 31 December 2022 | Net proceeds unutilised as at 31 December 2022 |
|---|---|---|---|
| | *RMB million* | *RMB million* | *RMB million* |
| Establishment of New Production Plant | 43.3 | 43.3 | – |
| Enhancing automation system of our existing Jiande Production Plant | 11.9 | 11.9 | – |
| Strengthening our research and development capabilities | 15.8 | 15.8 | – |
| General working capital | 1.4 | 1.4 | – |
| | 72.4 | 72.4 | – |

All the proceeds of approximately RMB72.4 million have been used in the same manner and proportions as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

## SCOPE OF WORK OF KTC PARTNERS CPA LIMITED

The figures set out in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto disclosed in this annual results announcement of the Group for the year ended 31 December 2022 have been agreed by the Company's auditors, KTC Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KTC Partners CPA Limited 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited.

## AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee currently consists of five independent non-executive Directors, namely, Mr. Au Hei Ching, Mr. Ho Ho Tung Armen, Mr. Lee Cheung Yuet Horace, Mr. Zheng Yu and Ms. Zhou Xiaochun, and Mr. Ho Ho Tung Armen is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the year ended 31 December 2022.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement has been published on the websites of the Stock Exchange (www.hkexnews.com.hk) and the Company (www.slkj.cn). The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be despatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
**Diwang Industrial Holdings Limited**
**Sun Jingang**
*Executive Director*

Hong Kong
31 March 2023

*As at the date hereof, the Board comprises Mr. Chen Hua, Mr. Lam Kam Kong Nathaniel, Mr. Tse Chun Chung and Mr. Sun Jingang as executive Directors; Mr. Au Hei Ching, Mr. Ho Ho Tung Armen, Mr. Lee Cheung Yuet Horace, Mr. Zheng Yu and Ms. Zhou Xiaochun as independent non-executive Directors.*