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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser. Capitalised terms used herein shall have the same meanings as those defined in the section headed “Definitions” in this prospectus, unless otherwise stated.

If you have sold or transferred all your shares in Diwang Industrial Holdings Limited (the “Company”), you should at once hand the Prospectus Documents to the purchaser(s) or other transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “16. Documents delivered to the Registrar of Companies in Hong Kong” in Appendix III to this prospectus, have been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, the Stock Exchange and the SFC take no responsibility for the contents of any of the Prospectus Documents.

You should read the whole of the Prospectus Documents including the discussions of certain risks and other factors as set out in the section headed “Letter from the Board – Warning of the Risks of Dealing in the Shares and/or the Nil-paid Rights Shares” in this prospectus.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC and you should consult a stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

The attention of Shareholders with registered addresses in, and investors who are located or residing in, any of the jurisdictions outside Hong Kong or holding Shares on behalf of beneficial owners of Shares with such addresses is drawn to the section headed “Letter from the Board – Proposed Rights Issue – Rights of Overseas Shareholders” in this prospectus.

This prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdictions in which such offer, solicitation or sale would be unlawful. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the laws of any state or jurisdiction of the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the Securities Act and applicable state laws. There is no intention to register any portion of the Rights Shares or any securities described herein in the United States or to conduct a public offering of securities in the United States.

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## 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)**

#### PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

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The Shares have been dealt in on an ex-entitlement basis from Wednesday, 31 May 2023. The nil-paid Rights Shares will be dealt in from Tuesday, 13 June 2023 to Tuesday, 20 June 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 13 June 2023 to Tuesday, 20 June 2023 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the nil-paid Rights Shares should therefore exercise caution, and are recommended to consult his/her/its own professional adviser(s) if in any doubt about his/her/its own position.

The Rights Issue is on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Untaken Shares together with the NQS Unsold Shares will be placed to independent places on a best effort basis under the Placing. Any Untaken Shares or NQS Unsold Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Pursuant to the Company’s constitutional documents, the applicable laws in Hong Kong and the Cayman Islands and the Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to the fulfilment of the conditions of the Rights Issue as set out in the section headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in this prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:10 p.m. on Monday, 17 July 2023). If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares up to the date when all the conditions to which the Rights Issue is subject are fulfilled. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

The Latest Time for Acceptance is 4:00 p.m. on Monday, 26 June 2023. The procedures for acceptance and payment and/or transfer are set out on pages 20 to 21 of this prospectus.

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## NOTICE

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**The Rights Issue is conditional upon the fulfilment of the conditions of the Rights Issue as set out in the section headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in this prospectus.**

**Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid forms is advised to exercise caution when dealing in the Shares and/or Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed.**

**EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS WITH REGISTERED ADDRESSES IN JURISDICTIONS OUTSIDE HONG KONG AND NEITHER IS THE RIGHTS ISSUE BEING MADE TO INVESTORS WHO ARE LOCATED OR RESIDING IN ANY OF THE JURISDICTIONS OUTSIDE HONG KONG, UNLESS AN OFFER OF RIGHTS SHARES AND NIL-PAID RIGHTS SHARES INTO SUCH JURISDICTIONS COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER LEGAL OR REGULATORY REQUIREMENTS OR THE OFFER IS MADE IN RELIANCE ON ANY EXEMPTION OR WHERE COMPLIANCE IS NOT UNDULY BURDENSOME.**

This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer, invitation or solicitation is unlawful. None of the nil-paid Rights Shares, the fully-paid Rights Shares, this prospectus and the PAL have been or will be registered or filed under the securities laws of any jurisdiction or with any securities commission or similar regulatory authority in any jurisdiction other than in Hong Kong and none of the nil-paid Rights Shares, the fully-paid Rights Shares, this prospectus and the PAL will qualify for distribution under any of the relevant securities laws of any of the jurisdictions outside Hong Kong (other than pursuant to any applicable exceptions as agreed by the Company). Accordingly, the nil-paid Rights Shares and the fully-paid Rights Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any jurisdictions outside Hong Kong absent registration or qualification under the respective securities laws of such jurisdictions other than in Hong Kong, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

Shareholders with registered addresses in, and investors who are located or residing in, any of the jurisdictions outside Hong Kong or who hold Shares on behalf of persons with such addresses should refer to the section headed “Letter from the Board – Proposed Rights Issue – Rights of Overseas Shareholders” in this prospectus.

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## NOTICE

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Each person acquiring the nil-paid Rights Shares and/or Rights Shares under the Rights Issue will be required to confirm, or be deemed by his acquisition of the nil-paid Rights Shares and/or Rights Shares to confirm, that he is aware of the restrictions on offers and sales of the nil-paid Rights Shares and/or Rights Shares described in this prospectus.

### **FORWARD-LOOKING STATEMENTS**

All statements in this prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustrate”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, without limitation, statements in respect of the Group’s business strategies, service offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this prospectus are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Group’s strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group’s actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this prospectus. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, be it as a result of new information, future events or otherwise.

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## DEFINITIONS

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*In this prospectus, the following expressions shall have the following meanings unless the context otherwise requires:*

“2021 Annual Report”	the annual report of the Company for the year ended 31 December 2021
“2022 Annual Report”	the annual report of the Company for the year ended 31 December 2022
“2022 Interim Report”	the interim report of the Company for the six months ended 30 June 2022
“Announcement”	the announcement of the Company dated 3 March 2023 in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chinese Liquor Business”	the manufacture and sale of Chinese baijiu products
“Circular”	the circular of the Company dated 5 May 2023 in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing
“Companies Registry”	Companies Registry of Hong Kong
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time

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## DEFINITIONS

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“Company”	Diwang Industrial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1950)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of par value of US\$0.0025 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company held on Thursday, 25 May 2023 to consider and, if thought fit, to approve, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing and the transactions contemplated thereunder
“Faux Leather Chemicals Business”	the research and development, manufacturing and sale of coating agents and synthetic resins
“Group”	the Company and its subsidiaries
“Guizhou Dichiwang”	貴州帝池王醬酒業有限公司 (Guizhou Dichiwang Sauce And Wine Company Limited*), a company established under the laws of the PRC with limited liability and is held as to 70.50% by 常德彌盟控股有限公司 (Changde Mimeng Company Limited*), a wholly-owned subsidiary of the Company and 29.50% by 湖南金鎧文化傳播有限責任公司 (Hunan Jinkai Culture Communication Company Limited*)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

\* For identification purpose only

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from US\$1,000,000 divided into 2,000,000,000 Old Shares to US\$5,000,000 divided into 10,000,000,000 Old Shares (or 2,000,000,000 Consolidated Shares after the Share Consolidation becoming effective)
“Independent Shareholders”	Shareholders other than (i) all executive Directors and their respective associates (as defined under the Listing Rules); (ii) those who are involved in or interested in the Rights Issue; and (iii) those who are required under the Listing Rules to abstain from voting at the EGM
“Independent Third Parties”	third parties independent from, and not connected with, the Company and its connected persons
“Last Trading Day”	3 March 2023, being the last trading day for the Shares immediately prior to the date of the Announcement
“Latest Practicable Date”	1 June 2023, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Monday, 26 June 2023 (or such other time and date as may be determined by the Company), being the latest time for the application of, and payment for, the Rights Shares
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Manufacturing Costs”	the cost of materials, processing fee and packaging fee payable to the wine factory in manufacturing of the Group’s baijiu products
“Net Gain”	any premiums paid by the places over the Subscription Price for the Untaken Shares and the NQS Unsold Shares placed by the Placing Agent under the Placing

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## DEFINITIONS

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“Nil Paid Rights”	rights to subscribe for Rights Shares before the Subscription Price is paid
“No Action Shareholders”	Qualifying Shareholder(s) or renounce(s) or transferee(s) of Nil Paid Rights under PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any Nil Paid Rights at the time such Nil Paid Rights lapse
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Old Share(s)”	the ordinary share(s) of par value of US\$0.0005 each in the share capital of the Company before the Share Consolidation
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at 5:00 p.m. on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing”	arrangements to place the Untaken Shares and the NQS Unsold Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties
“Placing Agent”	CNI Securities Group Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO



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## DEFINITIONS

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“Placing Agreement”	the agreement dated 3 March 2023 entered into between the Company and the Placing Agent in respect of the Placing
“Placing End Date”	6:00 p.m. on Friday, 14 July 2023 or such other dates as the Company may announce
“Placing Long Stop Date”	4:10 p.m. on Monday, 17 July 2023 (being the next Business Day after the Placing End Date) or such later date as the Company may announce
“Placing Period”	the period from Tuesday, 4 July 2023 up to the Placing End Date, being the period during which the Placing Agent will seek to effect the Placing
“Placing Share(s)”	the Untaken Share(s) and the NQS Unsold Share(s)
“Posting Date”	Friday, 9 June 2023, or such other date as the Company may determine and announce for the despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, which for the purpose of this prospectus excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus Documents”	this prospectus and the PAL(s)
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	the date by reference to which provisional allotments under the Rights Issue are expected to be determined, which is Thursday, 8 June 2023 or such later date as may be determined and announced by the Company
“Registrar”	Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

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## DEFINITIONS

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“Rights Issue”	the proposed offer for subscription of the Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every two (2) Shares held by the Shareholders on the Record Date and subject to the conditions set out in the section headed “Letter from the Board – Conditions of the Rights Issue” in this prospectus
“Rights Issue Completion”	completion of the Rights Issue
“Rights Issue Settlement Date”	Wednesday, 26 July 2023
“Rights Share(s)”	the Share(s) to be allotted and issued under the Rights Issue, being up to 432,000,000 Shares (assuming there is no other change in the total number of issued Shares from the date of the Circular up to and including the Record Date)
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with par value of US\$0.0025 each in the capital of the Company upon the Share Consolidation becoming effective
“Shareholder(s)”	holder(s) of the Share(s)
“Share Consolidation”	the consolidation of every five (5) Old Shares of par value of US\$0.0005 each into one (1) Consolidated Share of par value of US\$0.0025 each in the share capital of the Company
“Share Option Scheme”	the existing share option scheme of the Company adopted on 10 February 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.67 per Rights Share
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Untaken Share(s)”	the number of unsubscribed Rights Share(s) not taken up by Qualifying Shareholder(s) or renouncee(s) or transferee(s) of Nil Paid Rights under PAL(s) during the Rights Issue
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

For the purpose of this prospectus, unless otherwise indicated, the conversion of RMB into HK\$ are calculated at the approximate exchange rate of HK\$1.00 to RMB0.88. This exchange rate is for purpose of illustration only and does not constitute a representation that any amount has been, could have been, or may be, exchanged at this or another rate.

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## EXPECTED TIMETABLE

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The expected timetable for the proposed Rights Issue and the Placing and the associated trading arrangement is set out below. The expected timetable is subject to the satisfaction of the conditions of the Rights Issue and the Placing and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this prospectus refer to Hong Kong local times and dates.

First day of dealings in nil-paid Rights Shares .....	Tuesday, 13 June 2023
Latest time for splitting nil-paid Rights Shares .....	4:30 p.m. on Thursday, 15 June 2023
Last day of dealings in nil-paid Rights Shares.....	Tuesday, 20 June 2023
Latest Time for Acceptance.....	4:00 p.m. on Monday, 26 June 2023
Announcement of the number of the Untaken Shares and NQS Unsold Shares subject to the Placing .....	Monday, 3 July 2023
Commencement of the Placing Period (if there are any Untaken Shares and NQS Unsold Shares available) .....	Tuesday, 4 July 2023
Placing End Date for placing the Placing Shares.....	6:00 p.m. on Friday, 14 July 2023
Latest Time for the Rights Issue to become unconditional and the Placing Long Stop Date .....	4:10 p.m. on Monday, 17 July 2023
Rights Issue Settlement Date and Placing completion date .....	Wednesday, 26 July 2023
Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain).....	Thursday, 27 July 2023
Despatch of share certificates for the Rights Shares or refund cheques, if terminated .....	Friday, 28 July 2023
First day of dealings in the fully-paid Rights Shares.....	9:00 a.m. on Monday, 31 July 2023
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any).....	Monday, 14 August 2023

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## **EXPECTED TIMETABLE**

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE**

The Latest Time for Acceptance will not take place if a tropical cyclone signal No. 8 or above, or “extreme conditions” caused by super typhoons or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 26 June 2023, being the date on which the Latest Time for Acceptance falls. In this case, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 26 June 2023, being the date on which the Latest Time for Acceptance falls. In this case, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day on which none of the aforementioned warnings is in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on Monday, 26 June 2023, the dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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**LETTER FROM THE BOARD**

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**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)**

*Executive Directors:*

Mr. Chen Hua  
Mr. Lam Kam Kong Nathaniel  
Mr. Tse Chun Chung  
Mr. Sun Jingang

*Registered office:*

Ogier Global (Cayman) Limited  
89 Nexus Way, Camana Bay  
Grand Cayman KY1-9009  
Cayman Islands

*Independent non-executive Directors:*

Mr. Au Hei Ching  
Mr. Ho Ho Tung Armen  
Mr. Lee Cheung Yuet Horace  
Mr. Zheng Yu  
Ms. Zhou Xiaochun

*Head Office and Principal Place of*

*Business in the PRC:*

No.2, Jiangshan Road  
Meicheng Town  
Jiande County  
Hangzhou City  
Zhejiang Province  
PRC

*Principal Place of*

*Business in Hong Kong:*

Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

9 June 2023

*To the Qualifying Shareholders and, for information purposes only,  
the Non-Qualifying Shareholders (if any)*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON  
THE RECORD DATE ON A NON-UNDERWRITTEN BASIS**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the Announcement and the Circular in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing. The Board announced that the Company proposed to raise up to approximately HK\$289.44 million before expenses by way of issuing up to 432,000,000 Rights Shares to the Qualifying Shareholders by way of the Rights Issue at the Subscription Price of HK\$0.67 per Rights Share (after taking into account the effect of the Share Consolidation) on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date.

The purpose of this prospectus is to provide you with, among other things, (i) further details of the Rights Issue, including the procedures for acceptance and payment and/or transfer of the Rights Shares provisionally allotted to you; (ii) certain financial information of the Group; and (iii) other information in respect of the Group.

At the EGM held on Tuesday, 25 May 2023, the necessary resolutions for approving, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing and the transactions contemplated thereunder, were duly passed by the Shareholders or the Independent Shareholders (as the case may be). The Share Consolidation became effective on Tuesday, 30 May 2023.

### PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date. Set out below are the details of the Rights Issue statistics.

#### Rights Issue Statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.67 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	288,000,000 Shares

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## LETTER FROM THE BOARD

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Maximum number of Rights Shares : 432,000,000 Rights Shares, representing (i) 150% of the total issued Shares as at the Latest Practicable Date; and (ii) 60% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue. The aggregate nominal value of the maximum number of Rights Shares will be US\$1,080,000

Maximum gross proceeds to be raised from the Rights Issue : Approximately HK\$289.44 million

### **No irrevocable commitments**

As at the Latest Practicable Date, the Company has not received any irrevocable commitments from any Shareholder to accept or reject the Rights Shares to be allotted and issued to them under the Rights Issue.

### **The Subscription Price**

The Subscription Price is HK\$0.67 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a premium of 34% over the closing price of HK\$0.50 per Share on the Latest Practicable Date;
- (ii) a premium of approximately 1.52% over the adjusted closing price of HK\$0.66 per Share (based on the closing price of HK\$0.132 per Old Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (iii) a discount of approximately 6.94% to the adjusted average closing price of approximately HK\$0.72 per Share (based on the average closing price of approximately HK\$0.144 per Old Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation);



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## LETTER FROM THE BOARD

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- (iv) a discount of approximately 12.42% to the adjusted average closing price of HK\$0.765 per Share (based on the average closing price of approximately HK\$0.153 per Old Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (v) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 6.76%, represented by the theoretical diluted price of approximately HK\$0.704 per Share to the benchmarked price of approximately HK\$0.755 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Old Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Old Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Announcement and adjusted for the effect of the Share Consolidation);
- (vi) a discount of approximately 37.44% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2022 of approximately HK\$1.071 per Share calculated based on the unaudited consolidated net assets of the Group attributable to the owners of the Company of approximately RMB271,429,000 (equivalent to approximately HK\$308,442,045) as at 30 June 2022 as set out in the interim report of the Company for the six months ended 30 June 2022 and 288,000,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 48.85% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022 of approximately HK\$1.31 per Share calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of approximately RMB331,141,000 (equivalent to approximately HK\$376,296,591) as at 31 December 2022 as set out in the annual results of the Company for the year ended 31 December 2022 and 288,000,000 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The Subscription Price was determined by the Company with reference to (i) the recent fluctuated downward trend of the prevailing market prices of the Old Shares; (ii) the latest financial position of the Group; and (iii) the reasons for the Rights Issue and the use of proceeds as set out in the section headed “Letter from the Board – Reasons for the Rights Issue, the Placing and the Use of Proceeds” in this prospectus.

In determining the Subscription Price, the Directors consider that the Subscription Price shall not be set at a deep discount to the prevailing market prices of the Old Shares after adjusted for the effect of the Share Consolidation as (i) the intended use of the net proceeds from the Rights Issue will be mainly for the future development of the Group’s existing businesses which is expected to create positive value for the Shareholders in the future; and (ii) the market prices of the Old Shares has already been showing a fluctuated downward trend since January 2023 and 36 trading days of the closing price of the Old Shares out of a total of 41 trading days for the period from 1 January 2023 up to the Last Trading Day were closed equal to or above the closing price of the Old Shares on the Last Trading Day.

Notwithstanding that the Subscription Price was set at a slight premium of approximately 1.52% over the adjusted closing price of the Shares on the Last Trading Day, the Subscription Price represented a discount of approximately 6.94% and 12.42% when compared with the 5-day-average and 10-day-average adjusted closing price of the Shares up to the Last Trading Day, which the Directors consider to be more representative in reflecting the prevailing share prices performance of the Shares.

The Company noted that there was a continuous drop in the share prices of the Company subsequent to the publication of the Announcement on 5 March 2023 and the Subscription Price represents a premium of 34% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date. Although the share prices of the Company were traded at a further discount to the Subscription Price subsequent to the period from publication of the Announcement on 5 March 2023 up to the Latest Practicable Date, the Directors consider that the Subscription Price is fair and reasonable having taken into account the intended use of the net proceeds from the Rights Issue will be mainly for the future development of the Group’s existing businesses which is expected to create positive value for the Shareholders in the future.

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## LETTER FROM THE BOARD

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The Directors noted that the Subscription Price represents a discount of approximately 37.44% and 48.85% to the consolidated net asset value per Share attributable to owners of the Company as at 30 June 2022 and 31 December 2022 respectively. However, it was also noted that the prevailing share price of the Old Shares and the Shares had been in general traded at a substantial discount to the consolidated net assets attributable to owners of the Company per Old Share and the Shares over the past three months immediately preceding the Last Trading Day and the Latest Practicable Date respectively. Therefore, the Directors consider that the current market price of the Shares in fact reflects the value of the Shares that is generally perceived by the market having taken into account all business segments of the Group as well as the prevailing market conditions. Accordingly, the net asset value per Share is not a meaningful benchmark to assess the Subscription Price, instead, the prevailing market price of the Shares would be a more appropriate reference in determining the Subscription Price in this regard.

In view of the above, the Directors consider that the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the recent closing prices of the Old Shares with an objective to encourage Qualifying Shareholders to take up their entitlements so as to participate in the potential growth of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Untaken Shares together with the NQS Unsold Shares will be placed on a best efforts basis by the Placing Agent to independent places under the Placing. Any Untaken Shares and/or NQS Unsold Shares remain unplaced under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, a Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the passing of all necessary resolutions to be proposed at the EGM for the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Issue) by the Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other applicable laws and regulations if necessary);
- (ii) the Share Consolidation and the Increase in Authorised Share Capital having become effective;
- (iii) the issue by the Stock Exchange of a certificate authorising the registration of, and the registration with the Companies Registry, respectively, of one copy of each of the Prospectus Documents not later than the Posting Date and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus bearing a “For Information Only” stamp to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Posting Date;
- (v) the granting by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (vi) the Placing Agreement not having been terminated in accordance with the provisions thereof, including force majeure events; and
- (vii) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

The above conditions are incapable of being waived. If any of the above conditions are not satisfied at or prior to the respective time stipulated therein or 4:00 p.m. on the Rights Issue Settlement Date (as the case may be), the Rights Issue will not proceed.

As at the Latest Practicable Date, conditions (i) and (ii) above have been fulfilled.

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## LETTER FROM THE BOARD

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### Status of the Rights Shares

The Rights Shares, when issued and fully-paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

### Qualifying Shareholders and Non-Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and a Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of Consolidated Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Thursday, 1 June 2023.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

### Basis of provisional allotment

Under the Rights Issue, the basis of the provisional allotment shall be three (3) Rights Shares for every two (2) Shares in issue held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment of Rights Shares should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

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## LETTER FROM THE BOARD

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### **No fractional entitlements to the Rights Shares and odd lot matching service**

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company.

There will be no excess application arrangements in relation to the Rights Issue.

### **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro-rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Any NQS Unsold Shares will be placed by the Placing Agent at the price not less than the Subscription Price under the Placing together with the Untaken Shares. The proceeds of the sale as described above, less expenses and in the case of being sold by the Placing Agent, also less the Subscription Price and the Placing Agent's commission, will be paid (without interest and rounded down to the nearest cent) in Hong Kong dollars pro-rata to the relevant Non-Qualifying Shareholders' and the No Action Shareholders' shareholdings held on the Record Date on the basis of all NQS Unsold Shares and Untaken Shares. Any Untaken Shares and the NQS Unsold Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Overseas Shareholders should note that they may or may not be entitled to participate in the Rights Issue, subject to the results of the enquiries to be made by the Company. The Company reserves the right to treat as invalid any acceptances of, or applications for, the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there was 1 Overseas Shareholder with registered address in the PRC, who holds 4,328,000 Shares, representing approximately 1.50% of the issued share capital of the Company. In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholder. Based on the advice of the legal adviser as to the laws of the PRC, as at the Latest Practicable Date, the laws of the PRC imposed no restrictions on extending the Rights Issue to such Overseas Shareholder with registered address in the PRC, and the Company is not required to obtain any approvals from the relevant authorities in the PRC for the despatch of the Prospectus Documents to such Overseas Shareholder nor is the Company required to register or file the Prospectus Documents with the relevant authorities in the PRC. Accordingly, there was no Non-Qualifying Shareholder as at the Latest Practicable Date.

### **Share certificates and refund cheques for the Rights Shares**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted by Friday, 28 July 2023 to those entitled to them at their registered addresses by ordinary post at their own risk.

Refund cheques, if the Rights Issue is terminated, are expected to be posted on or before Friday, 28 July 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

### **Application for listing and dealing arrangements of the Rights Shares**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange. The nil-paid and fully-paid Rights Shares will be traded in board lots of 4,000 Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, investor compensation levy and other applicable fees and charges in Hong Kong.

### **Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

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## LETTER FROM THE BOARD

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Procedures for acceptance and payment and/or transfer of the Rights Shares provisionally allotted**

Qualifying Shareholders should find enclosed with this prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PALs, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:00 p.m. on Monday, 26 June 2023. All remittances must be made by cheques or banker's cashier orders in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**DIWANG INDUSTRIAL HOLDINGS LIMITED**" and must be crossed "**ACCOUNT PAYEE ONLY**".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar for registration by no later than 4:00 p.m. on Monday, 26 June 2023, whether by the original allottee or any person to whom the provisional allotment has been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion but without obligation) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of a Qualifying Shareholder's rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Thursday, 15 June 2023 with the Registrar, who will cancel the original PAL and issue new PALs in the denominations as required. The new PALs will be available for collection at the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.



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## LETTER FROM THE BOARD

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The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques and banker's cashier orders will be presented for payment following receipt and all interests earned on such application monies (if any) will be retained for the benefit of the Company. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque and/or banker's cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. Completion and return of the PAL together with a cheque or banker's cashier order in payment of the Rights Shares, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by such person that the cheque or banker's cashier order will be honoured upon first presentation.

No receipt will be issued in respect of any application monies received.

No action has been taken to permit the offering of the Rights Shares, or the distribution of the Prospectus Documents in any territory other than Hong Kong. The Prospectus Documents should not be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws and regulations. Accordingly, no person receiving the Prospectus Documents in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements thereof. Completion and return of the PAL by anyone outside Hong Kong will be deemed to constitute a warranty and representation from such person to the Company that all local legislation, legal and regulatory requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

### **Procedures in respect of the Untaken Shares and NQS Unsold Shares and the Placing**

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Untaken Shares and the NQS Unsold Shares by offering the Untaken Shares and the NQS Unsold Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

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## LETTER FROM THE BOARD

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The Company therefore appointed the Placing Agent to place the Untaken Shares and the NQS Unsold Shares to independent placees on a best effort basis after the number of the Untaken Shares and the NQS Unsold Shares that are subject to the Placing Arrangement has been announced. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 6:00 p.m. on the Placing End Date, acquirers for all (or as many as possible) of those Untaken Shares and the NQS Unsold Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Untaken Shares and the NQS Unsold Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Untaken Shares and NQS Unsold Shares) to the No Action Shareholders and the Non-Qualifying Shareholders (but rounded down to the nearest cent). It is proposed that Net Gain to any of the No Action Shareholder(s) or the Non-Qualifying Shareholders of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Non-Qualifying Shareholders may or may not receive any Net Gain.

### **The Placing**

On 3 March 2023 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, placees to subscribe for the Placing Shares (i.e. the Untaken Shares and/or the NQS Unsold Share during the Rights Issue) on the terms and subject to the conditions set out in the Placing Agreement. Under the terms of the Placing Agreement, if all the Rights Shares are already fully taken up in the Rights Issue through the PAL(s), the Placing will not proceed.

### **The Placing Agreement**

The principal terms of the Placing Agreement are summarised below:

Date : 3 March 2023 (after trading hours of the Stock Exchange)

Placing Agent : CNI Securities Group Limited

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## LETTER FROM THE BOARD

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The Placing Agent confirms that it and its ultimate beneficial owner(s) are Independent Third Parties.

- Placing commission and expenses : 0.5% of the gross proceeds from the subscription of the Placing Shares successfully placed by the Placing Agent multiplied by the placing price under the Placing Agreement and reimbursed for the expenses in relation to the Placing (including but not limited to all out-of-pocket expenses actually incurred by the Placing Agent for placing the Placing Shares), which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the company at the Placing End Date.
- Placing price : The placing price of each of the Untaken Share and/or the NQS Unsold Share (as the case maybe) shall be not less than the Subscription Price. The final price determination will be depended on the demand and market conditions of the Untaken Shares and the NQS Unsold Shares during the process of Placing.
- Placing Period : The Placing Period shall commence on Tuesday, 4 July 2023, and end on the Placing End Date or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.
- Placees : The Placing Agent shall ensure that the Placing Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) shall be Independent Third Parties; (ii) such that no placee shall become a substantial Shareholder immediately following the Placing; (iii) such that the Placing will not have any implications under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and (iv) such that the Placing will not result in the Company incapable to comply with the public float requirements under the Listing Rules immediately following the Placing.
- Ranking : The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves with the Shares in issue as at the date of allotment and issue of the Placing Shares.

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## LETTER FROM THE BOARD

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### Conditions of the Placing

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon the following conditions being fulfilled:

- (i) the grant by the Listing Committee of the Stock Exchange of the approval for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (ii) approval of the Rights Issue by Independent Shareholders at the EGM;
- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;
- (iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and
- (v) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events on or before the Placing Long Stop Date or such other date as the Company may announce.

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any or any part of the conditions (other than those set out in paragraphs (i) to (iii) above) by notice in writing to the Company.

As at the Latest Practicable Date, condition (ii) has been fulfilled.

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence on Tuesday, 4 July 2023, or such other date as the Company may announce. The Placing Period shall end on Friday, 14 July 2023, or such other date as the Company may announce.

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## LETTER FROM THE BOARD

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The long stop date for the fulfilment of conditions of the Placing Agreement shall be 4:10 p.m. on Monday, 17 July 2023 (being the next Business Day after the Placing End Date) or such later date as may be announced by the Company. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions and if the said conditions are not fulfilled on or before the Placing Long Stop Date, the Placing Agreement will lapse and become null and void and the Company and the Placing Agent shall be released from all rights and obligations under the Placing Agreement, save the liabilities for any antecedent breaches thereof.

### **Termination**

The Placing Agreement can only be terminated by mutual written confirmations by the Company and the Placing Agent.

### **Completion of the Placing**

Subject to the fulfilment of conditions of the Placing as set out in the section headed “Letter from the Board – Conditions of the Placing” of this prospectus, the completion of the Placing is expected to take place within seven (7) Business Days after the Placing Long Stop Date (or such later date as the Company may announce).

The engagement between the Company and the Placing Agent of the Untaken Shares and the NQS Unsold Shares was determined after arm’s length negotiation between the Placing Agent and the Company and is on normal commercial terms. In particular, the Directors, taking into account the range of placing commissions for recent rights issues conducted by issuers listed on the mainboard of the Stock Exchange for the six months period immediately prior to the Last Trading Day where the placing commission under the Placing Agreement falls within the range of the comparable transactions and is below the mean and median placing commission rate of the comparable transactions, consider that the terms of the Placing Agreement, including the placing commission, are normal commercial terms. Given that the Placing would provide (i) a distribution channel of the Untaken Shares and the NQS Unsold Shares; and (ii) a compensatory mechanism for the No Action Shareholders and Non-Qualified Shareholders, the Directors consider that the Placing Agreement is fair and reasonable and in the interest of the Company and its shareholders as a whole.

### **REASONS FOR THE RIGHTS ISSUE, THE PLACING AND THE USE OF PROCEEDS**

The Group is an established faux leather chemicals manufacturer in the PRC principally engaged in (i) the research and development, manufacturing and sale of coating agents and synthetic resins under its own brand; and (ii) the manufacturing and sale of Chinese baijiu products in the PRC.

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## LETTER FROM THE BOARD

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Assuming a maximum of 432,000,000 Rights Shares will be issued under the Rights Issue, the estimated gross proceeds of the Rights Issue will be approximately HK\$289.44 million. The estimated expenses in relation to the Rights Issue will amount to approximately HK\$2.89 million and the estimated maximum net proceeds of the Rights Issue will be approximately HK\$286.55 million. The net subscription price per Rights Share is expected to be approximately HK\$0.663.

The Company intends to apply the net proceeds from the proposed Rights Issue as follows:

- (a) approximately HK\$228.55 million (representing approximately 79.8% of the net proceeds) for the development of the Chinese Liquor Business of which (i) approximately HK\$20 million (representing approximately 7% of the net proceeds) in setting up four ancient-Chinese-style bistros in the PRC; (ii) approximately HK\$8.55 million (representing approximately 3% of the net proceeds) for the working capital in operating the above-mentioned four bistros upon their opening; (iii) approximately HK\$100 million (representing approximately 34.9% of the net proceeds) for building the brand of the Group's Chinese baijiu products by launching sizeable advertising campaigns across different districts in the PRC; and (iv) approximately HK\$100 million (representing approximately 34.9% of the net proceeds) for payment of manufacturing costs to the wine factory including (a) cost of raw materials; (b) processing fee; and (c) packaging fee for the production of the Group's Chinese baijiu products; and
- (b) approximately HK\$58 million (representing approximately 20.2% of the net proceeds) to support the Faux Leather Chemicals Business.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

### **Details on the use of proceeds to be applied towards the Chinese Liquor Business**

#### ***Business model, financial performance and Company's plans on the Chinese Liquor Business***

The principal business activity of Chinese Liquor Business comprises the manufacturing and sale of Chinese baijiu products.

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## LETTER FROM THE BOARD

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In operating the Chinese Liquor Business, Guizhou Dichiwang focuses on the development of drinking formula, design and brand-building strategy of the baijiu products and as such, Guizhou Dichiwang procures all necessary raw materials via the materials procurement services provided by an independent wine factory in accordance with the specifications requested by Guizhou Dichiwang in producing the Chinese baijiu products and outsources the manufacturing process to such independent wine factory to produce the Chinese baijiu products via an original equipment manufacturer arrangement. The main cost of the Chinese Liquor Business comprises manufacturing costs paid to the wine factory including (a) cost of raw materials; (b) processing fee; and (c) packaging fee and advertising cost. Raw materials and processing cost and advertising cost accounted for approximately 58% and 40% of the total operating cost of the Chinese Liquor Business respectively. The Chinese baijiu products of Guizhou Dichiwang comprise a comprehensive range of aromatic-flavour baijiu products formulated by Guizhou Dichiwang with varied packaging, alcohol content, design, taste, etc. with competitive prices 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.

Under the Chinese Liquor Business, Guizhou Dichiwang generates its revenue from the wholesale of "Diwang Chi" (帝王池) label Chinese baijiu products mainly to wine distributors in the PRC. As at 31 December 2022, Guizhou Dichiwang has a customer base of 10 distributors in the PRC and to the best knowledge, information and belief having made reasonable enquiries with and obtained information from those distributors, those distributors have an aggregate customer base of over 200 customers for our liquor products. The Company considers that a precise marketing and brand-building strategy is key to succeeding in the Chinese liquor market, and therefore, Guizhou Dichiwang has employed a sales team of over 15 staff to explore sales channels for Guizhou Dichiwang's Chinese baijiu products.

As disclosed in the paragraph headed "REASONS FOR THE RIGHTS ISSUE, THE PLACING AND THE USE OF PROCEEDS" in this prospectus, the Company intends to apply the net proceeds from the Rights Issue, among other things, setting up four ancient-Chinese-style bistros in the PRC. The objective of setting up bistros in the PRC is to promote the public awareness of our Chinese baijiu products in order to explore sales channel, enhance customer satisfaction and retention of customers via provision of value-added services including (i) allowing customers to experience drinking and leisure experience in the bistros; (ii) construing baijiu culture and providing recommendation services; and (iii) launching tasting events.

As disclosed in the 2022 Interim Report, the Chinese Liquor Business recorded revenue of approximately RMB66.71 million for the six months ended 30 June 2022. The gross profit and segment profit of the Chinese Liquor Business for the six months ended 30 June 2022 was approximately RMB38.62 million and approximately RMB28.92 million respectively. As disclosed in the annual results of the Company for the year ended 31 December 2022, the Chinese Liquor Business recorded revenue of approximately RMB241,192,000. The gross profit and segment profit of the Chinese Liquor Business for the year ended 31 December 2022 was approximately RMB152,938,000 and approximately RMB82,813,000 respectively.

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## LETTER FROM THE BOARD

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The operation of the Chinese Liquor Business is currently managed by a management team of five members led by Mr. Sun Jingang (孫金剛先生), the executive Director who is responsible for the overall management and brand building strategy of the Chinese Liquor Business. The other four members of the management team of Guizhou Dichiwang are (i) Ms. Feng Xiaoning (馮小寧女士) who is responsible for product development, procurement and quality assurance of liquor products; (ii) Mr. Zhu Guo Hua (朱國華先生) who is responsible for the sales management of the Chinese Liquor Business; (iii) Mr. Wu Jia Shu (武家樹先生) who is responsible for production and factory management; and (iv) Ms. Li Li (李利女士) who is responsible for the daily administrative management of Guizhou Dichiwang. The composition of the management team consists of experienced professionals in sales and marketing, business management, operation and management of production plant and alcohol-related research and technology, quality management and wine tasting. The key personnel of the management team are Mr. Sun Jingang and Ms. Feng Xiaoning. The leader of the Chinese Liquor Business Mr. Sun Jingang has over 10 years of experience in company promotion and company brand planning including but not limited to health products. Mr. Sun Jingang has also been serving as senior management position in various enterprises for more than 10 years. Ms. Feng Xiaoning is the vice president and the liquor hooking chief designer of Guizhou Dichiwang. Ms. Feng Xiaoning has over 40 years of experience in alcohol-related research and technology, quality management and wine tasting. Ms. Feng Xiaoning worked in the Distillery of China Guizhou Maotai Group at the age of 17. In 1989, she became a national-level sommelier and a wine evaluation committee member of Guizhou Province. In 2014, she was hired by the Wine Industry Association of Renhuai, Guizhou Province as the chief engineer. In 2015, she was hired as an evaluation expert by Renhuai Municipal Government. In 2016, she was appointed as a member of the wine tasting expert committee by Zunyi and Renhuai wine industry associations. In 2022, she won the awards of sauce wine craft inheritance and outstanding expert issued by Zunyi and Renhuai Wine Industry Association. Mr. Zhu Guo Hua has over 10 years of experience in sales and marketing planning works of liquor and health products in the PRC. Mr. Wu Jia Shu has over 10 years of experience in operation and management of production plants. Ms. Li Li has over 10 years of experience in the administrative and accounting industry.

Currently, Guizhou Dichiwang has more than 25 staff. The Group has a well-established organizational structure to operate the Chinese Liquor Business which includes sales department, supply chain department, planning department, e-commerce department and administrative and finance department.



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## LETTER FROM THE BOARD

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As disclosed in the announcement of the Company dated 18 July 2022, the expected original capital requirement of the Chinese Liquor Business for the next twelve months was approximately HK\$68 million. However, given the fact that the PRC government has unexpectedly lifted most of the COVID-19 restrictions including the cancellation of the vaccine pass and the resumption of cross-border travel since early 2023, resulting in dramatic recovery of economic activities and social flow in the PRC, the Company considers it appropriate to increase the investment in the Chinese Liquor Business to approximately HK\$228.55 million in order to grasp the opportunity to penetrate the Group's Chinese baijiu products into the market as follows:

### *Launching sizeable advertising campaigns across different districts in the PRC*

The Company considers that the promising business performance of the Chinese Liquor Business was as a result of the precise marketing and brand-building strategy implemented by the Company including (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.

In light of the much-faster-than-expected lifting of most of the COVID-19 restrictions including the cancellation of the vaccine pass and the resumption of cross-border travel between the PRC and Hong Kong by the PRC government since early 2023, the Company believes that the most difficult period has passed and that the Chinese Liquor Business will definitely be further benefited from the rebound of market sentiments. Therefore, the Company considers it is appropriate to promote the brand of the Chinese baijiu products to the whole of China and plans to apply approximately HK\$100 million of the net proceeds from the Rights Issue for building the brand of the Group's Chinese baijiu products by launching sizeable advertising campaigns across different districts in the PRC pursuant to which the Company has scheduled to place large electronic advertisements at airports in 3 municipalities and 31 cities in 21 provinces within the next 12 months upon completion of the Rights Issue.

### *Payment of Manufacturing Costs*

In light of the solid growth of the Chinese Liquor Business and the expected rebound of market sentiments after the much-faster-than-expected lifting of most of the COVID-19 restrictions including the cancellation of the vaccine pass and the resumption of cross-border travel, the Company plans to apply approximately HK\$100 million of the net proceeds from the Rights Issue for payment of the Manufacturing Costs to cope with the expected increase in demand of the Chinese baijiu products. Based on historical Manufacturing Costs of approximately RMB87 million (equivalent to approximately HK\$99 million for the period from the commencement of business in May 2022 up to 31 December 2022 which had achieved sales amount of approximately RMB241 million (equivalent to approximately HK\$274 million) for the same period and the expected growth of the Chinese Liquor Business of approximately 20% in year 2023 on the basis that (i) the average revenue per month of the Chinese Liquor Business for the two months ended 28 February 2023

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## LETTER FROM THE BOARD

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represented an increase of over 20% when compared with the average revenue per month of the Chinese Liquor Business for the period since the commencement of business in May 2022 up to 31 December 2022; and (ii) apart from the contract term of majority of the existing customers of Guizhou Dichiwang are 2-3 years which could secure a stable income source for the Chinese Liquor Business, Guizhou Dichiwang has also continued to successfully explored new customers in 2023 and after considering the expected rebound in the market sentiment after relaxation of COVID-19 measures in the PRC since early 2023 and the expected continuous increase in public awareness of “Diwang Chi” brand across the PRC resulted in the implemented and to be implemented marketing plan by Guizhou Dichiwang, the payment of the Manufacturing Costs is expected to satisfy the sales demand for more or less a half year period in year 2023.

### *Setting up ancient-Chinese-style bistros in the PRC*

Apart from launching advertising campaigns to explore sales channels, the Company, after research and assessment on the current market practice in the PRC wine industry, plans to establish four ancient-Chinese-style bistros in the PRC, as a one-stop establishment with bar setting for catering and retail shop for selling Chinese baijiu products. The purpose of the bistros is, by allowing customers to experience drinking and leisure experience which is similar to returning to an ancient Chinese environment, to attract public awareness of the brand of the Group’s Chinese baijiu products.

The Company plans to establish four bistros with sizes ranging from approximately 500 square meters to approximately 800 square meters each in the PRC of which (i) one bistro shall be established in Nanchang of Jiangxi within three months upon the Rights Issue Completion; (ii) one bistro shall be established in Fuzhou of Fujian within three months upon the Rights Issue Completion; (iii) one bistro shall be established in Nanjing of Jiangsu within six months upon the Rights Issue Completion; and (iv) one bistro shall be established in Xiamen of Fujian within six months upon the Rights Issue Completion. The bistros will be operated in the scale of approximately 20 tables with 20-25 staff per bistro which could serve a maximum of approximately 100 customers at one time slot. Each bistro will be serving food and beverages, such as snacks, juice, the Group’s Chinese baijiu products and other alcoholic drinks etc. The Company plans to apply (i) approximately HK\$20 million in setting up four ancient-Chinese-style bistros in the PRC including expenses to be spent on decoration, furniture and equipment necessary for the operation of the bistros; and (ii) approximately HK\$8.55 million for the working capital required in operating the above-mentioned four bistros upon their opening including but not limited to staff cost, rental expenses and other overheads necessary for the operation of the bistros for approximately two months.

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## LETTER FROM THE BOARD

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### **Details on the use of proceeds to be applied towards the Faux Leather Chemicals Business**

As disclosed in the 2022 Annual Report, revenue generated from the Faux Leather Chemicals Business increased by approximately RMB26,300,000 or 11.2% from approximately RMB233,945,000 for the year ended 31 December 2021 to approximately RMB260,245,000 for the year ended 31 December 2022, 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 ended 31 December 2022, 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 2022. The gross profit of the Faux Leather Chemicals Business for the year ended 31 December 2022 was approximately RMB40,760,000, representing an increase of approximately 4.85% when compared with the same period in 2021 of approximately RMB38,875,000. However, the gross profit margin decreased from approximately 16.6% in 2021 to approximately 15.7% in 2022, which was mainly attributable to the increase in the price of raw materials because of the high oil price during the year ended 31 December 2022.

### ***Repayment of bank borrowings***

As at the Latest Practicable Date, 浙江深藍新材料科技有限公司 (Zhejiang Sunlight Material Technology Co., Ltd\*), an indirect wholly-owned subsidiary of the Company operating the Faux Leather Chemicals Business has interest-bearing short-term bank borrowings of RMB10 million.

Principal terms of the bank borrowings are as follows:

<b>Term</b>	:	From 6 January 2023 to 5 January 2024.
<b>Loan Principal</b>	:	RMB10 million (equivalent to approximately HK\$11.36 million).
<b>Interest rate</b>	:	One-year Loan Prime Rate (LPR) minus 45 basis points per annum, payable on a monthly basis.
<b>Security</b>	:	Secured by the pledge of certain right-of-use assets of the Group.
<b>Purpose</b>	:	For the purpose of daily production and operation.
<b>Repayment</b>	:	The outstanding principal amount of the loan shall be repaid at the end of the term of the loan.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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The Company plans to apply approximately HK\$11.5 million of the net proceeds from the Rights Issue for repayment of the bank borrowings in order to retain more financial resources to provide flexibility for business operation of the Faux Leather Chemicals Business. As no penalty clause is attached to the above-mentioned bank borrowings on early repayment, the Company has the intention to early repay the aforesaid borrowings upon completion of the Rights Issue in order to minimise interest costs.

### *Investment in automation system in production*

Due to (i) the continuing increase in price of raw materials; and (ii) the shift of demand to lower-priced products because of the sluggish demand amid the COVID-19 pandemic since 2020 which has had a negative impact on the global consumer markets, the gross profit margin of the Faux Leather Chemicals Business continued to decrease from 33.9% for the year ended 31 December 2019 to 13.9% for the six months ended 30 June 2022.

As disclosed in the 2021 Annual Report, it was the Company's business strategy to strengthen its cost management and improve production efficiency. In 2021, the inventory control and accounting modules of the Group have been integrated into the Kingdee Cloud (金蝶雲) system, which was a cornerstone for the Company's development. The Company plans to apply approximately HK\$11 million of the net proceeds from the Rights Issue to further advance the automation information platform with an aim to improve industrial safety and production efficiency as well as to improve gross profit margin of the Faux Leather Chemicals Business.

### *Addition of production facilities and improvement in product quality*

As disclosed in the 2022 Interim Report, due to the gradual recovery of downstream and consumer demands in various major industries from COVID-19, revenue from the Faux Leather Chemicals Business has experienced an increase of approximately 42.2% as compared to the same period in 2021. In light of the lifting of most of the COVID-19 restrictions including the cancellation of the vaccine pass and the resumption of cross-border travel between the PRC and Hong Kong by the PRC government since early 2023, the Company believes that the most difficult period has passed and that the Faux Leather Chemicals Business will definitely benefit from the rebound of market sentiments.

The Company therefore plans to apply approximately HK\$17 million of the net proceeds from the Rights Issue to procure new production facilities with an aim to increase productivity to cope with the expected increase in sales orders and approximately HK\$3.5 million for research and development of the products to improve product quality in order to maintain the Faux Leather Chemical Business' competitiveness in the market.

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## LETTER FROM THE BOARD

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### *Increase in procurement of raw materials*

To cope with the expected rebound of market sentiments after the passing of the most difficult period caused by the COVID-19 pandemic, the Company plans to apply approximately HK\$9.2 million of the net proceeds from the Rights Issue to increase the raw materials inventory level to cope with the expected increase in consumer demands from the Faux Leather Chemical Business. Meanwhile, the Company plans to apply approximately HK\$5.8 million of the net proceeds from the Rights Issue in order to retain financial resources to negotiate with suppliers for better procurement terms by placing more prepayment payment with the suppliers at the beginning of the sale contracts with the suppliers first in order to receive better discounts from them during the whole procurement process of raw materials for the Faux Leather Chemicals Business.

Given the fact that the PRC government has unexpectedly lifted most of the COVID-19 restrictions including the cancellation of the vaccine pass and the resumption of cross-border travel since early 2023, resulting in dramatic recovery of economic activities and social flow in the PRC, the Company considers the Chinese Liquor Business and the Faux Leather Chemicals Business would definitely be benefitted and it is expected that the business performance of the Chinese Liquor Business and the Faux Leather Chemicals Business would be better than year 2022. As such, it is appropriate to grasp the opportunity to penetrate the Group's Chinese baijiu products into the market and to optimise the operation of the Faux Leather Chemicals Business. As at 28 February 2023, the Group had bank balances and cash of approximately HK\$31.63 million, which is not sufficient to execute the intended use of proceeds as above-mentioned to and there are imminent funding needs for our expected business expansion of the Chinese Liquor Business and the Faux Leather Chemicals Business to support the expected business growth.

### **Other Fund-raising Alternatives**

Other than the Rights Issue, the Company has considered other debt/equity fund-raising alternatives such as bank borrowings, placing or an open offer. The Company had contacted certain banks for securing bank loan facilities. However, the Company could not reach favourable financing terms with the banks similar to the size of the Rights Issue upon discussion and as such, the Board considers that debt financing will result in an additional interest burden and a higher gearing ratio of the Group and could not be achievable on favourable terms or may require pledge of other kind of assets or securities which may reduce the Group's flexibility.

Reference is made to the announcement of the Company dated 11 November 2022 in relation to the placing of bonds of the Company. As reported by the placing agent of the bonds placing, the response for the bonds placing is not favourable and no bond had been successfully placed by the placing agent of the bonds placing since the commencement of the bonds placing period on 11 November 2022 up to the expiry of the bond placing period on 11 May 2023. The above bond placing was lapsed upon expiry of the bond placing period.

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## LETTER FROM THE BOARD

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In addition, the Company had also contacted certain securities houses for the feasibility of conducting underwritten fund-raising exercise but had received negative feedbacks from those securities houses for conducting such fund-raising activities in view of the volatile price performance of the Shares. As for equity fund-raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund-raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

Having considered the above-mentioned alternatives, the Directors consider raising funds by way of the Rights Issue is more appropriate as the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position for future development, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company, and thus, in the interests of the Company and the Shareholders as a whole.

### **EQUITY FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS**

The Company had carried out the following equity fund-raising activities in the 12 months immediately preceding the Latest Practicable Date:

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## LETTER FROM THE BOARD

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Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
29 August 2022	Placing of new Shares under general mandate	Approximately HK\$42,580,000	(i) HK\$21,290,000 for the general working capital of the Group including (a) HK\$11,290,000 for staff cost; (b) HK\$5,000,000 for selling and distribution expenses; and (c) HK\$5,000,000 for other office overhead and general corporate purposes; and (ii) the remaining of the net proceeds for the business development of the Chinese Liquor Business as to (a) 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 customer base and sales network; and (b) approximately HK\$11,290,000 for procurement of raw materials to manufacture the Group's Chinese baijiu products	(i) Approximately HK\$19,890,000 has been utilised 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\$3,600,000 for other office overhead and general corporate purposes; (ii) HK\$21,290,000 has been utilised for the business development of the Chinese Liquor Business as intended; and (iii) the remaining unutilised proceeds of approximately HK\$1,400,000 will be utilised as intended by 31 August 2023.

Save as disclosed above, the Company had not conducted any equity fund-raising activities in the past twelve months immediately preceding the Latest Practicable Date.

## LETTER FROM THE BOARD

### TAXATION

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Rights Issue Completion in different scenarios as set out in below table, in each case assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date:

Shareholder	As at the Latest Practicable Date		Immediately after the Rights Issue Completion assuming full acceptance by all Shareholders under the Rights Issue		Immediately after the Rights Issue Completion assuming (a) no subscription by the Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Zheng Xieyue (Note 1)	52,000,000	18.06	130,000,000	18.06	52,000,000	7.22
Sunlight Global Investment Limited (Note 2)	3,600,400	1.25	9,001,000	1.25	3,600,400	0.50
Lilian Global Investment Limited (Note 2)	2,400,400	0.83	6,001,000	0.83	2,400,400	0.33
<b>Public Shareholders:</b>						
Placees	–	–	–	–	432,000,000	60.00
Other public Shareholders	229,999,200	79.86	574,998,000	79.86	229,999,200	31.95
<b>TOTAL</b>	<b>288,000,000</b>	<b>100.00</b>	<b>720,000,000</b>	<b>100.00</b>	<b>720,000,000</b>	<b>100.00</b>



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## LETTER FROM THE BOARD

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1. A substantial shareholder (as defined in the Listing Rules) of the Company.
2. As at the Latest Practicable Date, to the best knowledge of the Directors, Sunlight Global Investment Limited (“**Sunlight Global**”) and Lilian Global Investment Limited (“**Lilian Global**”) held approximately 1.25% and approximately 0.83%, respectively, of the total issued share capital of the Company. Sunlight Global is owned as to 61.20% by Mr. Chen Hua, 13.24% by Ms. Zhu Jianqin, 13.24% by Mr. Li Xiangyu, 9.24% by Mr. He Zhangcai, 2.14% by Mr. Chen Yong, 0.54% by Mr. Cai Jianming and 0.40% by Mr. Zhao Xuesheng. Lilian Global is wholly-owned by Ms. Liu Jing, the spouse of Mr. Chen Hua. Ms. Liu is therefore deemed to be interested in the Shares in which Lilian Global is interested under the SFO. As at the Latest Practicable Date, Mr. Chen Hua, Ms. Zhu Jianqin, Mr. Li Xiangyu, Mr. He Zhangcai, Mr. Zhao Xuesheng, Mr. Cai Jianming and Mr. Chen Yong are entitled to exercise or control the exercise of approximately 1.25% of the voting power at general meetings of the Company through exercising or controlling the exercise of the entire voting power at general meetings of Sunlight Global, and therefore they are deemed to be interested in the Shares in which Sunlight Global is interested under the SFO. Mr. Chen Hua is an executive Director and Ms. Zhu Jianqin was a former executive Director who had resigned on 3 March 2023. Mr. Chen Hua and Ms. Liu Jing are spouses to each other and therefore, each of them is deemed to be interested in the Shares in which he or she is interested under the SFO.

**If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

### LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of the Announcement (after taking into account the effect of the Share Consolidation), the Rights Issue is conditional upon the minority Shareholders’ approval at the EGM, and any Controlling Shareholders and their associates, or where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

At the date of the EGM, the Company had no Controlling Shareholder as defined under the Listing Rules. Sunlight Global Investment Limited (a corporation interested in 18,002,000 Shares, representing approximately 1.25% of the total issued share capital of the Company as at the date of the EGM and is controlled by Mr. Chen Hua, an executive Director and Ms. Zhu Jianqin, a former executive Director who had resigned on 3 March 2023) and Lilian Global Investment Limited (a corporation interested in and 12,002,000 Shares, representing approximately 0.83% of the total issued share capital of the Company as at the date of the EGM and is wholly-owned by Ms. Liu Jing, the spouse of Mr. Chen Hua) and their respective associates have abstained from voting in respect of the resolution(s) relating to the Rights Issue at the EGM. Save as disclosed above, no other Shareholder was required to abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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### WARNING OF THE RISKS OF DEALING IN THE SHARES AND/OR THE NIL-PAID RIGHTS SHARES

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT THE RIGHTS ISSUE AND THE PLACING ARE CONDITIONAL UPON, AMONG OTHERS, CONDITIONS SET OUT IN THE SECTIONS HEADED “LETTER FROM THE BOARD – PROPOSED RIGHTS ISSUE – CONDITIONS OF THE RIGHTS ISSUE” AND “LETTER FROM THE BOARD – PROPOSED RIGHTS ISSUE – CONDITIONS OF THE PLACING” IN THIS PROSPECTUS, RESPECTIVELY. ACCORDINGLY, THE RIGHTS ISSUE AND/OR THE PLACING MAY OR MAY NOT PROCEED.

ANY DEALINGS IN THE SHARES AND/OR THE NIL-PAID RIGHTS SHARES UP TO THE DATE ON WHICH ALL THE CONDITIONS OF THE RIGHTS ISSUE AND THE PLACING ARE FULFILLED WILL BEAR THE RISK THAT THE RIGHTS ISSUE AND/OR THE PLACING MAY NOT BECOME UNCONDITIONAL OR MAY NOT PROCEED.

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY, AND IF THEY ARE IN ANY DOUBT ABOUT THEIR POSITION, THEY SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISERS.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully,  
For and on behalf of the Board  
**Diwang Industrial Holdings Limited**  
**Sun Jingang**  
*Executive Director*

**1. FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for the four years ended 31 December 2019, 2020, 2021, 2022 and the six-month period ended 30 June 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.slkj.cn/>), respectively):

- (i) the audited consolidated financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 21 April 2023, from pages 63 to 177 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0421/2023042101899.pdf>);
- (ii) the unaudited financial information of the Group for the six-month period ended 30 June 2022 is disclosed in the interim report of the Company for the six months ended 30 June 2022 published on 20 September 2022, from pages 20 to 44 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0920/2022092000376.pdf>);
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 22 April 2022, from pages 65 to 151 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042201776.pdf>);
- (iv) the audited consolidated financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021, from pages 76 to 167 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902121.pdf>);
- (v) the audited consolidated financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December published on 28 April 2020, from pages 54 to 119 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802584.pdf>).

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had the following indebtedness:

- (i) Secured and unguaranteed interest-bearing bank borrowings of RMB10,000,000;
- (ii) Unsecured and guaranteed interest-bearing bank borrowings of RMB15,000,000; and

- (iii) Unsecured and unguaranteed interest-free borrowings from a related company of the Company of RMB440,000.

**Pledged assets**

As at the close of business on 30 April 2023, the Group bank borrowings were secured by the Group's certain right-of-use assets with total carrying values of approximately RMB10.3 million as at 30 April 2023.

The Group's certain right-of-use assets and buildings with total carrying values of approximately RMB37.8 million as at 30 April 2023 and bank deposits of approximately RMB4.3 million had been pledged to secure banking facilities granted to the Group for issuing bills payable.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills payables and accruals in the ordinary course of business, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, material capital or hire purchase commitments or other borrowings, mortgages, charges, guarantees or contingent liabilities as at the close of business on 30 April 2023.

**3. WORKING CAPITAL STATEMENT**

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this prospectus.

**4. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is an established faux leather chemicals manufacturer in the PRC principally engaged in (i) the research and development, manufacturing and sale of coating agents and synthetic resins under its own brand; and (ii) the manufacturing and sale of Chinese baijiu products in the PRC.

In order to broaden income source of the Group, it is the Group's business direction to explore business opportunities. Since then, the Group has commenced the Chinese Liquor Business in May 2022. As disclosed in the 2022 Annual Report, the Chinese Liquor Business recorded revenue of approximately RMB241,192,000. The gross profit and segment profit of the Chinese Liquor Business for the year ended 31 December 2022 was approximately RMB152,938,000 and approximately RMB82,813,000 respectively. The Company considers that the business performance of the Chinese Liquor Business is promising and it is expected that the Chinese Liquor Business will become one of the key revenue drivers of the Group in the long run. As at the Latest Practicable Date, the Company has no intention to dispose of, terminate or scale down any of its existing businesses.

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 in 2022, the Group will diversify the product and market segmentation.

For the Chinese Liquor Business, we will be 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 will continue to improve our product quality and increase our product competitiveness.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

#### A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 31 December 2022.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and based on the judgements, estimates and assumptions of the Directors, and because of the hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at the date to which it is made up or at any future date.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 RMB'000 (Note 1)	Estimated net proceeds from the Rights Issue RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue RMB'000	Audited consolidated net tangible assets per Share attributable to the owners of the Company as at 31 December 2022 RMB (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company after completion of the Rights Issue RMB (Note 4)
Based on 432,000,000 Rights Shares to be issued at a Subscription Price of HK\$0.67 per Rights Share	331,141	252,164	583,305	1.150	0.810

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 is extracted from the published annual report of the Company for the year ended 31 December 2022, which is equal to the consolidated net assets attributable to owners as at 31 December 2022 of RMB331,141,000.
2. The estimated net proceeds from the Rights Issue are based on 432,000,000 Rights Shares to be issued at the Subscription Price of HK\$0.67 each per Rights Share, after deduction of the related expenses including, among others, placing commission and other professional fees. The estimated net proceeds are approximately RMB252,164,000 (equivalent to approximately HK\$286,550,000).
3. The audited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 December 2022 was RMB1.150, which was based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 of RMB331,141,000, divided by 288,000,000 Consolidated Shares which being adjusted for immediately after the Share Consolidation having become effective.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 31 December 2022 immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of Rights Issue of approximately RMB583,305,000, divided by 720,000,000 Consolidated Shares which represents 288,000,000 Shares in issue as at 31 December 2022.
5. No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2022.

**B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL  
INFORMATION****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Diwang Industrial Holdings Limited**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Diwang Industrial Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (the “**Director**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 and notes as set out in Appendix II to the prospectus issued by the Company dated 9 June 2023 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix II to the Prospectus. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless otherwise specified.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the rights issue of 432,000,000 shares on the basis of three (3) Rights Shares for every two (2) Consolidated Share held on the Record Date at the Subscription Price of HK\$0.67 per Rights Share (the “**Rights Issue**”) on the Group’s financial position as at 31 December 2022 as if the Rights Issue had taken place at 31 December 2022. As part of this process, information about the Group’s audited consolidated net tangible assets of the Group attributable to the owners of the Company has been extracted by the Directors from the Group’s audited consolidated statement of financial position as at 31 December 2022, on which an annual report has been published.



**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (the “**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**KTC Partners CPA Limited**

*Certified Public Accountants (Practising)*

Wong Kin Shing

Practising Certificate Number: P07435

Hong Kong, 9 June 2023

## 1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

### (a) As at the Latest Practicable Date

<i>Authorised:</i>		<i>US\$</i>
<u>2,000,000,000</u>	Shares	<u>5,000,000</u>
<i>Issued and fully paid:</i>		
<u>288,000,000</u>	Shares	<u>720,000</u>

### (b) Immediately upon completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)

<i>Authorised:</i>		<i>US\$</i>
<u>2,000,000,000</u>	Shares	<u>5,000,000</u>
<i>Issued and fully paid:</i>		
<u>720,000,000</u>	Shares	<u>1,800,000</u>

The Rights Shares, when issued and fully-paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the fully-paid Rights Shares.

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares, as the case may be.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executive's interests in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules (the "Model Code"), are set out as follows:

Name	Capacity/Nature of interest	Number of Shares	Long/short position	Approximate percentage of shareholding in the Company
Mr. Chen Hua	Interest in controlled corporation and interest of spouse <sup>(Note 1-2)</sup>	6,000,800	Long position	2.08%

Notes:

- (1) *As at the Latest Practicable Date, Sunlight Global Investment Limited (“Sunlight Global”) and Lilian Global Investment Limited (“Lilian Global”) held approximately 1.25% and approximately 0.83%, respectively, of the total issued share capital of the Company. Sunlight Global is owned as to 61.20% by Mr. Chen Hua, 13.24% by Ms. Zhu Jianqin, 13.24% by Mr. Li Xiangyu, 9.24% by Mr. He Zhangcai, 2.14% by Mr. Chen Yong, 0.54% by Mr. Cai Jianming and 0.40% by Mr. Zhao Xuesheng. Lilian Global is wholly-owned by Ms. Liu Jing. Ms. Liu is therefore deemed to be interested in the Shares in which Lilian Global is interested under the SFO. Mr. Chen Hua, Ms. Liu Jing, Ms. Zhu Jianqin, Mr. Li Xiangyu, Mr. He Zhangcai, Mr. Zhao Xuesheng, Mr. Cai Jianming and Mr. Chen Yong are entitled to exercise or control the exercise of approximately 2.08% of the voting power at general meetings of our Company through exercising or controlling the exercise of the entire voting power at general meetings of Sunlight Global and Lilian Global, and therefore they are deemed to be interested in the Shares in which Sunlight Global and Lilian Global are interested under the SFO.*
- (2) *Mr. Chen Hua and Ms. Liu Jing are spouses to each other. Therefore, each of them is deemed to be interested in the Shares in which he or she is interested under the SFO.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial shareholders’ interests in the Shares and underlying Shares**

To the knowledge of the Directors of the Company, as at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) have the following interests and short positions in the shares and underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required pursuant to section 336 of the SFO to be entered in the register referred to therein.

Name	Capacity/Nature of interest	Number of Shares	Long/short position	Approximate percentage of shareholding in the Company
Zheng Xieyue	Beneficial Owner	52,000,000	Long position	18.06%

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors, no other person (other than the Directors and chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

#### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation other than statutory compensation.

#### **5. DIRECTOR'S INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

None of the Directors were materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

## 7. LITIGATIONS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this prospectus (the “**Expert**”):

<b>Name</b>	<b>Qualification</b>
KTC Partners CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, (i) the above Expert has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) the above Expert was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (iii) the above Expert did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).



**9. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group during two years preceding the Latest Practicable Date and are or may be material:

- (a) the placing agreement dated 28 June 2022 entered into between the Company (as issuer) and CNI Securities Group Limited (as placing agent) in relation to the placing of up to 240,000,000 new Shares at the placing price of HK\$0.180 per placing Share
- (b) the supplemental agreement dated 18 July 2022 entered into between the Company (as issuer) and CNI Securities Group Limited (as placing agent) in relation to the placing agreement dated 28 June 2022 to extend the long stop date;
- (c) the second supplemental agreement dated 27 July 2022 entered into between the Company (as issuer) and CNI Securities Group Limited (as placing agent) in relation to the placing agreement dated 28 June 2022 (as supplemented by the supplemental agreement dated 18 July 2022) to further extend the long stop date;
- (d) the third supplemental agreement dated 5 August 2022 entered into between the Company (as issuer) and CNI Securities Group Limited (as placing agent) in relation to the placing agreement dated 28 June 2022 (as supplemented by the supplemental agreement dated 18 July 2022 and the second supplemental agreement dated 27 July 2022) to postpone the completion date; and
- (e) the fourth supplemental agreement dated 24 August 2022 entered into between the Company (as issuer) and CNI Securities Group Limited (as placing agent) in relation to the placing agreement dated 28 June 2022 (as supplemented by the supplemental agreement dated 18 July 2022, the second supplemental agreement dated 27 July 2022 and the third supplemental agreement dated 5 August 2022) to postpone the completion date;
- (f) the placing agreement dated 11 November 2022 entered into between the Company (as issuer) and CNI Securities Group Limited (as placing agent) in relation to the placing of unlisted and non-convertible bonds of the Company in the aggregate principal amount of up to HK\$250,000,000; and
- (g) the Placing Agreement.

**10. CORPORATE INFORMATION****Board of Directors***Executive Directors*

Mr. Chen Hua  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

Mr. Lam Kam Kong Nathaniel  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

Mr. Tse Chun Chung  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

Mr. Sun Jingang  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

*Independent non-executive Directors*

Mr. Ho Ho Tung Armen  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

Mr. Au Hei Ching  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

Mr. Lee Cheung Yuet Horace  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

Mr. Zheng Yu  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

Ms. Zhou Xiaochun  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

*Audit Committee*

Mr. Ho Ho Tung Armen (*Chairman*)  
Mr. Au Hei Ching  
Mr. Lee Cheung Yuet Horace  
Mr. Zheng Yu  
Ms. Zhou Xiaochun

*Nomination Committee*

Mr. Lam Kam Kong Nathaniel (*Chairman*)  
Mr. Ho Ho Tung Armen  
Mr. Lee Cheung Yuet Horace

*Remuneration Committee*

Mr. Lee Cheung Yuet Horace (*Chairman*)  
Mr. Chen Hua  
Ms. Zhou Xiaochun

**Registered office**

Ogier Global (Cayman) Limited  
89 Nexus Way, Camana Bay  
Grand Cayman KY1-9009  
Cayman Islands

<b>Head office and principal place of business in the PRC</b>	No.2, Jiangshan Road Meicheng Town Jiande County Hangzhou City Zhejiang Province PRC
<b>Principal place of business in Hong Kong</b>	Suites 4404-10, 44/F One Island East 18 Westlands Road, Taikoo Place Hong Kong
<b>Principal share registrar and transfer office</b>	<b>Ogier Global (Cayman) Limited</b> 89 Nexus Way, Camana Bay Grand Cayman, KY1-9009 Cayman Islands
<b>Branch share registrar and transfer office in Hong Kong</b>	<b>Tricor Investor Services Limited</b> 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Company secretary</b>	Mr. Chan Ming Kei (a member of the Hong Kong Institute of Certified Public Accountants)
<b>Authorised representatives</b>	Mr. Lam Kam Kong Nathaniel Suites 4404-10, 44/F One Island East 18 Westlands Road, Taikoo Place Hong Kong  Mr. Chan Ming Kei Suites 4404-10, 44/F One Island East 18 Westlands Road, Taikoo Place Hong Kong
<b>Business address of Directors and authorised representatives</b>	Suites 4404-10, 44/F One Island East 18 Westlands Road, Taikoo Place Hong Kong

**Principal banker**                                      **Bank of Communications Co. Ltd.**  
20 Pedder Street  
Central  
Hong Kong

**11. PARTIES INVOLVED IN THE RIGHTS ISSUE**

**The Company**    **Diwang Industrial Holdings Limited**  
Suites 4404-10, 44/F  
One Island East  
18 Westlands Road, Taikoo Place  
Hong Kong

**Legal advisers to the Company**                      *As to Hong Kong law*  
**Robertsons**  
57th Floor, The Center  
99 Queens Road Central  
Hong Kong

*As to Cayman Islands law*  
**Ogier Global (Cayman) Limited**  
89 Nexus Way, Camana Bay  
Grand Cayman, KY1-9009  
Cayman Islands

*As to PRC law*  
**SG&CO LAWYERS**  
15/F, 21st Century Tower  
210 Century Avenue  
Shanghai, 200120  
PRC

**Financial adviser to the  
Company**    **Bison Corporate Finance Limited**  
Room 602, 6/F  
18 King Wah Road  
North Point  
Hong Kong

<b>Auditors and reporting accountants of the Company</b>	<b>KTC Partners CPA Limited</b> Room 617, 6/F, Seapower Tower Concordia Plaza 1 Science Museum Road Tsimshatsui East Kowloon Hong Kong
<b>Placing Agent</b>	<b>CNI Securities Group Limited</b> 36/F, United Asia Finance Centre 333 Lockhart Road Wanchai Hong Kong

## 12. PARTICULARS OF THE DIRECTORS

### Executive Directors

**Mr. Chen Hua (“Mr. Chen”)**, aged 50, has been appointed as an executive Director on 21 June 2019. Mr. Chen has also been appointed as an executive director and general manager of Zhejiang Sunlight since July 2006. Mr. Chen is responsible for overseeing our day-to-day management and business operation, formulating business strategies and making major operational decisions of our Group. Mr. Chen is the spouse of Ms. Liu Jing, the chairman of our Board, an executive Director.

Mr. Chen was awarded a bachelor’s degree in mechanical engineering from Zhejiang University (浙江大學) of the PRC in June 1995. He was awarded the qualification of senior economist\* (高級經濟師) by the Zhejiang Province Economic Series Advanced Professional Technical Positions Employment Qualification Review Committee\* (浙江省經濟系列高級專業技術職務任職資格評審委員會) in December 2018. Mr. Chen has been engaged in the chemical engineering industry for more than 19 years. From January 2000 to May 2006, Mr. Chen was employed by Hangzhou Rainbow Colour Paste Co., Ltd.\* (杭州彩虹色漿有限公司), a manufacturer of colourants, resins, finishes and additives for synthetic leather and textiles, as a general manager. Mr. Chen joined Zhejiang Sunlight in July 2006 and took up positions as a director and the general manager. Mr. Chen was also the general manager of Huzhou Milan Investment Management Co., Ltd.\* (湖州米藍投資管理有限公司 (formerly known as Hangzhou Sunlight Chemical Co., Ltd.\* (杭州深藍化工有限公司)) (“**Huzhou Milan**”), a then manufacturer of chemical products, from January 2005 to July 2006, responsible for its overall management and formulation of business strategies, and was its supervisor from November 2007 to July 2010, respectively.

\* For identification purpose only

**Mr. Lam Kam Kong Nathaniel (“Mr. Lam”)**, aged 30, has been appointed as an executive Director on 25 May 2022. Mr. Lam received his degree of Bachelor of Commerce (Finance and Marketing) from University of Auckland in 2020. He has extensive experience in equity capital market especially in securities brokerage operations, securities financing and equity dealings with other financial institutions. Mr. Lam has worked in several brokerage firms in Hong Kong since 2016. From August 2016 to November 2020, Mr. Lam was an associate and a licensed representative for Type 1 (Dealing in securities) regulated activity under the SFO of Hooray Securities Limited. From November 2020 to January 2022, Mr. Lam worked for OnePlatform Securities Limited and was a licensed representative for Type 1 (Dealing in securities) regulated activity under the SFO during May 2021 to January 2022. From February 2022 to November 2022, Mr. Lam was employed by OnePlatform Asset Management Limited and was responsible for anti-money laundering and know your customer due diligence work during his employment. Mr. Lam is currently a licensed representative for Type 9 (Asset management) regulated activities under the SFO of Anli Asset Management Limited.

**Mr. Tse Chun Chung (“Mr. Tse”)**, aged 43, has been appointed as an executive Director on 25 May 2022. Mr. Tse obtained a bachelor’s degree in economics from the University of California, Irvine in 2004 and has over 16 years of experience in retail banking. From July 2014 to February 2016, Mr. Tse was a senior relationship manager at China Construction Bank. Mr. Tse was also the relationship manager of Dah Sing Bank and Nanyang Commercial Bank from February 2016 to April 2018 and from August 2019 to March 2021, respectively.

**Mr. Sun Jingang (“Mr. Sun”)**, aged 56, was appointed as executive Director on 25 May 2022. The operation of the Chinese Liquor Business is currently managed by a management team of five members led by Mr. Sun. The composition of the management team consists of experience professionals in sales and market, business management, operation and management of production plant and alcohol-related research and technology, quality management and wine tasting. Mr. Sun has over 10 years in company promotion and company brand planning. From January 2010 to December 2018, Mr. Sun was the general manager of Weishan Qiandao Lake Wetland Scenic Spot\* (微山千島湖濕地景區) and was mainly responsible for the development of the scenic spot. Mr. Sun is currently the general manager of Jiangsu Huazhikang Health Technology Group Co., Ltd.\* (江蘇華之康健康科技集團有限公司) and Jiangsu Hengyangkang Health Technology Co., Ltd.\* (江蘇恆養康健康科技有限公司) since November 2019 and since February 2021 respectively. From April 2021 to 23 May 2022, Mr. Sun was the director of Xuzhou Yuandao Health Technology Co., Ltd.\* (徐州元道健康科技有限公司).

\* For identification purpose only

**Independent non-executive Directors**

**Mr. Ho Ho Tung Armen (“Mr. Ho”)**, aged 47, was appointed as our independent non-executive Director in February 2020. Mr. Ho received a MBA degree from the University of Chicago Booth School of Business, a Master of Science degree in financial economics from University of London and a Bachelor of Arts (Honours) degree in accountancy from City University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ho is currently an independent non-executive director of Stream Ideas Group Limited (stock code: 8401). Mr. Ho is the chief financial officer and company secretary of Tianyun International Holdings Limited (stock code: 6836), since February 2015. Prior to that, Mr. Ho was the chief financial officer of Tuenbo Group Limited and held various senior positions in Wisdom Asset Management Limited, Hermes Capital Limited and Evolution Group Limited (now known as Investec Group) specialized in asset management, private equity, and corporate finance. Mr. Ho also worked for PricewaterhouseCoopers Hong Kong, KPMG UK and Grant Thornton Corporate Finance UK from 1998 to 2006 specialising in audit, advisory and corporate finance.

**Mr. Au Hei Ching (“Mr. Au”)**, aged 39, was appointed as independent non-executive Director on 25 January 2022. Mr. Au obtained a Bachelor of Business Administration (Honours) in Business Economics from the City University of Hong Kong and has over 15 years of experience in finance and asset management. Mr. Au has been a financial risk manager of the Global Association of Risk Professionals since 2011. From October 2007 to August 2010, Mr. Au worked as principal business development officer at a bank in Hong Kong. Since October 2010, Mr. Au has worked as SFC licensed representative and responsible officer in various licensed corporations. He has extensive experience in asset management, managing private funds, advising on risk management strategies, supervising daily securities brokerage operations and providing advisory services to investors.

**Mr. Lee Cheung Yuet Horace (“Mr. Lee”)**, aged 41, was appointed as independent non-executive Director on 25 January 2022. He obtained a Bachelor Degree in Commerce (Accounting) from the University of Queensland, Australia and has over 18 years of experience in financial reporting, investment analysis, merger & acquisition exercises and business development. He has been a member of the Association of Chartered Certified Accountants since 2009 and a fellow member since 2014. From November 2017 to June 2020, he was an independent non-executive director of Chuan Holdings Limited (stock code: 1420), the shares of which are listed on the Main Board of the Stock Exchange. From February 2020 to December 2022, he was an independent non-executive director of Asia Television Holdings Limited (stock code: 707), the shares of which are listed on the Main Board of the Stock Exchange. From September 2020 to April 2023, he was an independent



non-executive director of Kirin Group Holdings Limited (stock code: 8109), the shares of which are listed on the GEM of the Stock Exchange. Mr. Lee is currently an independent non-executive director of Hybrid Kinetic Group Limited (stock code: 1188) and Li Bao Ge Group Limited (stock code: 1869), the shares of which are listed on the Main Board of the Stock Exchange.

**Mr. Zheng Yu (“Mr. Zheng”)**, aged 44, was appointed as independent nonexecutive Director on 25 January 2022. He obtained a bachelor’s degree in law from Nanjing University and has over 20 years of experience in the legal profession. He obtained the PRC Legal Professional Qualification Certificate in 2002 and has been a practising lawyer at Jiangsu Phaedo Law Firm since 2003, currently holding the position of senior partner. Mr. Zheng is also an arbitrator on the panel of the Nanjing Arbitration Commission of the JiangSu (NanJing) International Arbitration Centre and an arbitrator on the panel of Taizhou Arbitration Commission.

**Ms. Zhou Xiaochun (“Ms. Zhou”)**, aged 66, was appointed as independent non-executive Director on 25 January 2022. She has over 42 years of experience in alcohol-related research and technology, product and quality management. Since 1980, Ms. Zhou has been engaged in wine-related professional technology work at Jiangxi Jinggang Winery Industry Co., Ltd.\* (江西井岡酒業有限責任公司), where she currently holds the position of chief engineer. Ms. Zhou was accredited as a senior engineer in the field of chemistry by the Jiangxi Occupational Titles Reform Work Leading Group\* (江西省職稱改革領導小組) in November 2000. In March 2012, she obtained the Occupational Qualification Certificate in wine tasting. From November 2016 to November 2021, Ms. Zhou was a panelist of the 9th National Baijiu Spirit Panel of the China National Food Industry Association. She was also a national occupational skills appraisal senior examiner for winemakers and sommeliers between October 2018 and October 2021. In September 2020, Ms. Zhou was appointed as the team leader of the Jiangxi Province 12th Chinese Baijiu Expert Panel\* (江西省第十二屆白酒專家組) by the Jiangxi Food Industry Association.

### **Company Secretary**

**Mr. Chan Ming Kei (“Mr. Chan”)**, aged 40, has been appointed as the joint company secretary of the Company on 24 November 2021 and acts as the sole company secretary of the Company with effect from 21 April 2023. He obtained a Bachelor of Business Administration (Hons) majoring in Accounting from The Hong Kong University of Science and Technology in 2005.

Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has extensive experiences in accounting, audit, financial management and company secretarial works.

\* For identification purpose only

**13. AUDIT COMMITTEE**

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised of, namely Mr. Ho Ho Tung Armen (the Chairman of the Audit Committee), Mr. Au Hei Ching, Mr. Lee Cheung Yuet Horace, Mr. Zheng Yu and Ms. Zhou Xiaochun. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “11. Particulars of the Directors” in this appendix. The primary role and function of the Audit Committee are to oversee the relationship with the external auditors, to review the Group’s preliminary quarterly results, interim results and annual results, and to monitor compliance with statutory and listing requirements.

**14. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and the placing of all Untaken Shares and the NQS Unsold Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.89 million, which are payable by the Company.

**15. BINDING EFFECT**

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

**16. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

A copy of each of the Prospectus Documents, and the written consent as referred to in the paragraph headed “8. Expert and Consent” in this appendix, have been delivered to the Registrar of Companies in Hong Kong for registration as required by section 342C of the Companies (WUMP) Ordinance.

**17. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.slkj.cn/>) for 14 days from the date of this prospectus:

- (a) the annual reports of the Company for each of the four financial years ended 31 December 2019, 2020, 2021 and 2022;
- (b) the interim report of the Company for the six months ended 30 June 2022;
- (c) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group as set out in Appendix II to this prospectus;
- (d) the material contracts referred to in the paragraph headed “9. Material Contracts” of this appendix;
- (e) the written consent from the Expert referred to in the paragraph headed “8. Expert and Consent” of this appendix; and
- (f) the Prospectus Documents.

**18. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (c) The English text of this prospectus shall prevail over the Chinese text in case of any inconsistency.