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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1950)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2023 (the "**Year**" or "**Reporting Period**"), the revenue of the Group was approximately RMB570,572,000 (2022: RMB501,437,000), representing an increase of approximately RMB69,135,000 or 13.8% as compared to the year ended 31 December 2022 (the "**Prior Year**").

The gross profit of the Group for the Year was approximately RMB233,383,000 (2022: RMB193,698,000), representing an increase of approximately RMB39,685,000 or 20.5% as compared to the Prior Year.

For the Year, the Group recorded net profit of approximately RMB24,874,000 as compared to the net profit of approximately RMB39,618,000 for the Prior Year. Profit for the year attributable to owners of the Company was approximately RMB19,451,000 (2022: RMB21,851,000).

The basic and diluted earning per share was RMB4.11 cents (2022: basic and diluted earning per share was RMB9.14 cents (restated)).

The Board has resolved not to declare the final dividend for the Year.

The board (the "**Board**") of directors (the "**Directors**") of Diwang Industrial Holdings Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "**Group**", "**We**" and "**Our**") for the year ended 31 December 2023 (the "**Year**" or "**Reporting Period**") prepared in accordance with the International Financial Reporting Standards, together with the comparative information for the year ended 31 December 2022 (the "**Prior Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**570,572**	501,437
Cost of sales		**(337,189)**	(307,739)
Gross profit		**233,383**	193,698
Other income	6	**3,418**	1,392
Other gains and losses, net	7	**67**	(703)
Impairment losses under expected credit loss model, net of reversal	9	**(4,061)**	(2,239)
Gain/(loss) on disposal of financial assets at fair value though profit or loss ("FVTPL")		**4,032**	(10,416)
Loss on fair value change of financial assets at FVTPL		**(2,181)**	(10,585)
Selling and distribution expenses		**(163,147)**	(77,100)
Administrative and general expenses		**(35,104)**	(30,900)
Share of result of an associate		**(82)**	(77)
Finance costs	8	**(688)**	(403)
Profit before tax	9	**35,637**	62,667
Income tax expenses	10	**(10,763)**	(23,049)
Profit for the year		**24,874**	39,618
Profit for the year attributable to:			
Owners of the Company		**19,451**	21,851
Non-controlling interests		**5,423**	17,767
		24,874	39,618
			(Restated)
Earnings per share (RMB cents)			
Basic	12	**4.11**	9.14
Diluted	12	**N/A**	N/A

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Profit for the year		**24,874**	39,618
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operation		**(251)**	2,763
Other comprehensive (loss)/income for the year		**(251)**	2,763
Total comprehensive income for the year		**24,623**	42,381
Total comprehensive income for the year attributable to:			
Owners of the Company		**19,200**	24,614
Non-controlling interests		**5,423**	17,767
		24,623	42,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**113,851**	108,507
Right-of-use assets		**25,676**	26,282
Interest in an associate		**5,505**	2,887
Prepayments		**42,305**	–
Deferred tax assets		**1,617**	781
		188,954	138,457
Current assets			
Inventories		**108,312**	98,242
Trade and bills receivables	*13*	**242,037**	144,766
Prepayments, deposits and other receivables		**135,514**	6,610
Financial assets at FVTPL		**9,522**	7,763
Pledged bank deposits		**4,300**	2,428
Bank balances and cash		**48,952**	48,112
		548,637	307,921
Current liabilities			
Trade and bills payables	*14*	**51,538**	68,656
Other payables and accruals		**15,307**	8,493
Deferred income		**487**	137
Amounts due to related companies		**1,453**	447
Tax payables		**1,797**	7,852
Bank borrowings		**25,000**	10,000
		95,582	95,585
Net current assets		**453,055**	212,336
Total assets less current liabilities		**642,009**	350,793

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Non-current liability			
Deferred income		**3,423**	410
Net assets		**638,586**	350,383
Capital and reserves			
Share capital	*15*	**12,705**	4,962
Reserves		**601,216**	326,179
Total equity attributable to owners of the Company		**613,921**	331,141
Non-controlling interest		**24,665**	19,242
Total equity		**638,586**	350,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

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

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

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

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

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's material accounting policies set out in the consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2024.

[3] Effective for annual periods beginning on or after 1 January 2025.

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

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

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

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and related amendments to IAS 1 (2020) (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

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

Based on the Group's outstanding liabilities as at 31 December 2023, the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

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

4. SEGMENT INFORMATION

Operating segment information

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

During the year ended 31 December 2023, the Group was principally engaged in the manufacturing and sales of faux leather chemicals and engaging in sales of Chinese baijiu. The Group's reportable and operating segments for the years ended 31 December 2023 and 2022 are as follows:

(a) Faux leather chemicals – manufacturing and sales of faux leather chemicals ("Faux Leather Chemicals Business")

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

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

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

Year ended 31 December 2023

	Faux Leather Chemicals Business *RMB'000*	Chinese Liquor Business *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE			
External sales	**262,546**	**308,026**	**570,572**
Segment profit	**21,505**	**23,407**	**44,912**
Other income			**3,418**
Other gains and losses, net			**67**
Share of result of an associate			**(82)**
Gain on disposal of financial assets at FVTPL			**4,032**
Loss on fair value change of financial assets at FVTPL			**(2,181)**
Finance costs			**(688)**
Unallocated corporate expenses			**(13,841)**
Group's profit before tax			**35,637**

Year ended 31 December 2022

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

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

	2023	2022
	RMB'000	*RMB'000*
Assets		
Faux Leather Chemicals Business	**314,955**	266,508
Chinese Liquor Business	**358,525**	116,535
Total segment assets	**673,480**	383,043
Unallocated corporate assets	**64,111**	63,335
Consolidated total assets	**737,591**	446,378

	2023	2022
	RMB'000	*RMB'000*
Liabilities		
Faux Leather Chemicals Business	**83,775**	42,030
Chinese Liquor Business	**1,665**	40,857
Total segment liabilities	**85,440**	82,887
Unallocated corporate liabilities	**13,565**	13,108
Consolidated total liabilities	**99,005**	95,995

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

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

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

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

Other segment information

	Faux leather chemicals *RMB'000*	**Chinese liquor business** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2023			
Capital expenditure *(note (a))*	**14,983**	**–**	**14,983**
Depreciation of property, plant and equipment	**9,610**	**–**	**9,610**
Depreciation of right-of-use assets	**606**	**–**	**606**
Allowance for expected credit losses, net	**2,323**	**1,738**	**4,061**
Selling and distribution expenses	**12,920**	**150,227**	**163,147**
Research and development expenses	**9,725**	**–**	**9,725**

	Faux leather chemicals *RMB'000*	Chinese liquor business *RMB'000*	Total *RMB'000*
Year ended 31 December 2022			
Capital expenditure *(note (a))*	27,593	–	27,593
Depreciation of property, plant and equipment	6,925	–	6,925
Depreciation of right-of-use assets	606	–	606
Allowance for expected credit losses, net	1,708	531	2,239
Selling and distribution expenses	9,427	67,673	77,100
Research and development expenses	9,618	–	9,618

Note:

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

Geographical information

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
The PRC	**563,764**	497,849
Overseas	**6,808**	3,588
	570,572	501,437

Information about major customer

There is no customer contributing individually over 10% of the Group's revenue during the years ended 31 December 2023 and 2022.

5. REVENUE

(a) Analysis of revenue

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers:		
Recognised on a point in time basis		
Sales of faux leather chemicals	**262,546**	260,245
Sales of Chinese baijiu	**308,026**	241,192
	570,572	501,437

(b) Performance obligations for contracts with customers and revenue recognition policies

Manufacturing and sales of faux leather chemicals and Chinese baijiu

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

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

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

6. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**182**	181
Government grants *(note)*	**2,772**	695
Sundry income	**464**	516
	3,418	1,392

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

7. OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Gain/(loss) on disposal of property, plant and equipment	**6**	(831)
Written off of property, plant and equipment	**–**	(1)
Exchange gain, net	**61**	129
	67	(703)

8. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank borrowings	**688**	403

9. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Auditor's remuneration	**810**	666
Cost of inventories sold	**337,189**	307,739
Depreciation:		
– Depreciation of property, plant and equipment	**9,610**	6,925
– Depreciation of right-of-use assets	**606**	606
	10,216	7,531
Less: amount included in cost of sales	**(6,584)**	(5,487)
	3,632	2,044
Directors' remuneration	**1,626**	1,832
Staff costs (excluding directors' remuneration)		
– wages, salaries, allowances and bonus	**29,282**	24,105
– contributions to retirement benefits schemes	**3,579**	3,319
	32,861	27,424
Less: amounts included in cost of sales	**(13,774)**	(9,863)
	19,087	17,561

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Advertising expenses (included in selling and distribution expenses)	**148,099**	66,320
Research and development expenses (included in administrative and general expenses)	**9,725**	9,618
Expenses for short-term lease	**3,160**	1,257

10. INCOME TAX EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
– Current income tax	**11,599**	23,385
Deferred tax	**(836)**	(336)
Total tax charge for the year	**10,763**	23,049

The PRC

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

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

Cayman Islands, BVI and Hong Kong

No Provision for taxation has been recognised for companies incorporated in the Cayman Islands, BVI and Hong Kong as they are not subject to any tax during the years ended 31 December 2023 and 2022.

Withholding Tax in Mainland China ("WHT")

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

As at 31 December 2023, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding company incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB133,987,000 (2022: RMB108,002,000). For this unrecognised amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

11. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 2023, nor has any dividend been proposed since the end of the Reporting Period (2022: RMB Nil).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share during the period is based on the profit for the year attributable to owners of the Company of approximately RMB19,451,000 (2022: profit of RMB21,851,000) and the weighted average number of ordinary shares in issue during the period of 473,142,857 (2022: 239,041,730 (restated)).

	Year ended 31 December	
	2023	2022
Profit for the year attributable to owners of the Company (RMB'000)	**19,451**	21,851
		(restated)
Weighted average number of ordinary shares ('000)	**473,143**	239,042
Basic earnings per share (RMB cents)	**4.11**	9.14

Note: The weighted average number of ordinary shares for the years ended 31 December 2023 and 2022 has been retrospectively adjusted for the five-to-one share consolidation of the Company which was effective on 30 May 2023 and the rights issue completed during the year ended 31 December 2023.

No diluted earnings per share for both 2023 and 2022 were presented as there were no potential ordinary shares in issue during the years ended 31 December 2023 and 2022.

13. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables *(note i)*	**232,613**	126,923
Less: provision for impairment	**(9,270)**	(5,209)
	223,343	121,714
Bills receivables *(note ii)*	**18,694**	23,052
Total trade and bills receivables – net	**242,037**	144,766

notes:

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

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**61,475**	54,873
31 to 90 days	**104,083**	37,553
91 to 180 days	**53,421**	19,308
181 to 365 days	**9,906**	13,220
Over 1 year	**3,728**	1,969
	232,613	126,923

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**5,209**	2,970
Provision for impairment	**4,592**	2,239
Written-off	**(531)**	–
At the end of the year	**9,270**	5,209

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

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**5,615**	8,471
31 to 90 days	**5,323**	10,267
91 to 180 days	**7,756**	4,314
	18,694	23,052

As at 31 December 2023 and 2022, all bills receivables are with a maturity period of less than 6 months.

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

14. TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**39,176**	60,562
Bills payables	**12,362**	8,094
	51,538	68,656

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**19,059**	51,577
31 to 90 days	**11,999**	6,300
91 to 180 days	**6,119**	1,930
181 to 365 days	**1,275**	283
Over 1 year	**724**	472
	39,176	60,562

As at 31 December 2023 and 2022, all bills payables are with a maturity period of less than 6 months.

Bills payables of approximately RMB12,362,000 were pledged by buildings of approximately RMB20,849,000, right-of-use assets of approximately of RMB15,558,000 and bank deposit of RMB4,300,000.

15. SHARE CAPITAL

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

	Number of shares	**Share capital** *RMB'000*
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023, ordinary share of US$0.0005 each	**2,000,000,000**	**6,700**
Share consolidation *(note (b))*	(1,600,000,000)	–
Increase in authorised share capital *(note (b))*	1,600,000,000	28,327
At 31 December 2023, ordinary share of US$0.0025 each	2,000,000,000	35,027
Issued and fully paid:		
At 1 January 2022, ordinary share of US$0.0005 each	1,200,000,000	4,152
Placing of new shares *(note (a))*	240,000,000	810
At 31 December 2022, and 1 January 2023, ordinary share of US$0.0005 each	1,440,000,000	4,962
Share Consolidation *(note (b))*	(1,152,000,000)	–
Shares issued under rights issue *(note (c))*	432,000,000	7,743
At 31 December 2023, ordinary share of US$0.0025 each	720,000,000	12,705

Notes:

(a) On 29 August 2022, the Company completed a share placing for an aggregate for 240,000,000 shares at a placing price of HK$0.180 per share to independent investors. The gross proceeds from the placing was approximately HK$43,200,000 (equivalent to RMB37,485,000), the net proceeds was approximately HK$42,580,000 (equivalent to RMB36,948,000) and HK$41,645,000 (equivalent to RMB36,138,000) was recognised at share premium. Details of the placement are set out in the Company's announcement dated 29 August 2022.

(b) On 30 May 2023, the Company implemented share consolidation and increase in authorised share capital, which involves the following:

(i) Every five issued and unissued existing share ("Existing Share(s)") of par value of US$0.0005 each will be consolidated into one share of par value of US$0.0025 each (the "**Consolidated Shares**").

(ii) Following the Share Consolidation, in order to increase the issued share capital of the Company the authorised share capital of the Company was increased from US$1,000,000 (divided into 2,000,000,000 Existing Shares) to US$5,000,000 (divided into 10,000,000,000 Existing Shares) (or 2,000,000,000 Consolidated Shares upon the Share Consolidation) ("Increase in Authorised Share Capital").

Details of the Consolidated Shares and Increase in Authorised Share Capital were contained in the Company's announcements dated 5 March 2023, 14 April 2023, 18 April 2023, 5 May 2023 12 May 2023, 29 May 2023 and 30 May 2023.

(c) On 28 July 2023, the Company issued the rights issue on the basis of three rights shares (the "**Right Shares**") for every two shares amounted to 432,000,000 Right Shares of HK$0.67 to independent parties for the development of the Chinese Liquor Business and support the Faux Leather Chemicals Business. The net proceeds from the rights issue was approximately RMB263,580,000 and RMB255,837,000 was recognised as share premium. Details of the rights issue were contained in the Company's announcements dated 5 March 2023, 18 April 2023, 5 May 2023, 9 June 2023, 3 July 2023 and 27 July 2023.

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

16. EVENT AFTER THE REPORTING PERIOD

On 9 October 2023, the Group entered into a property transfer agreement with Hangzhou Qiyue Investment Management Co., Ltd. (the "**Vendor**"), pursuant to which the Group has conditionally agreed to acquire and the Vendor has conditionally agreed to transfer all rights and risks of the premises located at Zhejiang Province, the PRC (the "**Properties**") to the Group at a consideration of RMB30,000,000. The Vendor is a former shareholder of Zhejiang Sunlight which is beneficially owned as to by Mr. Chen Hua. Mr. Chen Hua is a director and a shareholder of the Company.

The purpose of the acquisition of the Properties is due to part of the Properties have long been the office and research center of the Group's faux leather chemicals business, the acquisition of the Properties is in line with the long-term business strategies of the Group. The property transfer agreement has been fulfilled and completion took place on 7 February 2024.

Details are set out in the Company's announcements dated 9 October 2023, 29 November 2023, 29 December 2023, 31 January 2024 and 19 February 2024 and circular dated 10 November 2023.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW AND PROSPECTS

During the Year, the Group engaged in two primary business activities: the Faux Leather Chemicals Business and the Chinese Liquor Business.

FAUX LEATHER CHEMICALS BUSINESS

Revenue generated from the Faux Leather Chemicals Business amounted to approximately RMB262,546,000 for the Year (2022: RMB260,245,000), which remained stable as compared to the Prior Year. The gross profit of this segment for the Year was approximately RMB55,489,000 (2022: RMB40,760,000).

The gross profit margin increased from approximately 15.7% to approximately 21.1% for the Year, which was mainly attributable to the overall decrease of the cost of raw materials during the Year.

Selling and distribution expenses for the Year were approximately RMB12,920,000 (2022: RMB9,427,000). The increase in selling and distribution expenses was mainly due to the increase in sales and marketing activities. Selling and distribution expenses for the Year accounted for approximately 4.92% (2022: approximately 3.62%) of the segment revenue. Segment profit was approximately RMB21,505,000 (2022: RMB11,679,000).

CHINESE LIQUOR BUSINESS

The Group began manufacturing and selling of Chinese baijiu products in the PRC with a view to exploring business opportunities in the food and beverage business in the PRC in year 2022.

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

In operating the Chinese Liquor Business, we focus on the development of drinking formula, design and brand-building strategy of the baijiu products and as such, we procure all necessary raw materials via the materials procurement services provided by an independent wine factory 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.

* *English translation of the name for identification only*

Our Chinese baijiu products comprise a comprehensive range of aromatic-flavour baijiu products formulated by us 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.

During the Year, the segment revenue from Chinese Liquor Business increased for approximately RMB66,834,000 or 27.7% from approximately RMB241,192,000 for the Prior Year to approximately RMB308,026,000 for the Year. The gross profit was approximately RMB177,894,000 (2022: RMB152,398,000) after accounting for the cost of raw materials and production fee. The Company promotes and explores sales channels of its Chinese baijiu products by (i) placing advertisements at airports, train stations and online media platforms; and (ii) hosting wine tasting events and various wine exhibitions and wine trade fairs in the PRC. Selling and distribution expenses for the Year were approximately RMB150,227,000 (2022: RMB67,673,000). The increase in selling and distribution expenses was mainly attributable to the increase in marketing and sales promotion activities for our in-house brands "Dihuangchi" (帝皇池) and "Dilongchi" (帝龍池) which are expected to contribute a sustainable revenue to the Group. Selling and distribution expenses for the Year accounted for approximately 48.8% (2022: approximately 28.1%) of the segment revenue. Segment profit was approximately RMB23,407,000 (2022: RMB82,813,000)

DIVIDENDS

The Board has resolved not to declare the final dividend for the year ended 31 December 2023.

PROSPECT

Our Business Strategies and Future Prospects

The year 2023 was marked by intense global uncertainty due to the political instability between Russia and Ukraine negatively affected the trading environment and the financial industry, resulting in rising interest rates. These challenges, including economic uncertainty, market volatility, and unpredictable geopolitical tensions, are expected to continue to impact the global economy in 2024.

In forecasting for China's economic growth in the year 2024, providing the factors of optimization and adjustment of epidemic prevention policies will improve China's and global economic growth prospects.

In short term, there are favorable conditions for the overall improvement of China's economy in 2024: First, with the continuous optimization of epidemic prevention and control measures, scenario-based consumption and contact consumption will resume and grow quickly, and overall consumption will continue to recover; Secondly, infrastructure and manufacturing investment will continue to maintain a rapid growth in post pandemic period; thirdly, the effects of a series of policies implemented since late 2022 will continue to stabilize growth, employment and prices which may further promote economic recovery and development. From a long-term perspective, China's economy has strong resilience, great potential and vitality, while its long-term fundamentals remain unchanged.

Given an optimistic forecast of the macroeconomics in China consumption market, our Group aims to further enhance our market shares through strategic management, development and expansion of our two core businesses as well as establish protective measures in a sustainable perspective.

The Group will continue to enhance its overall competitiveness and market share by strengthening its premium long-term relationship with existing customers, proactively developing new customers, continuing to strengthen its research and development capabilities and further expanding our product portfolio and geographical coverage. The Group also expects the business environment to be more challenging in the near future. The Group will continue to develop the Faux Leather Chemicals Business and maintain a sustainable growth in the faux leather chemicals manufacturing industry.

Meanwhile, the Group sees the opportunities in expansion of our Chinese Liquor Business in coping with the expected growth in consumption capacity. Our Group's Chinese liquor products were repositioned and renamed with our in-house brands "Dihuangchi" (帝皇池) and "Dilongchi" (帝龍池) to effectively target specific customer segments and replace the brand "Diwang Chi" (帝王池) for the Group's Chinese liquor products with effect from 14 September 2023. Through this brand strategy adjustment, we aim to enhance our market competitiveness, increase company value, and achieve long-term sustainable development. Also, on 15 September 2023, Fujian Wangchidi, an indirect wholly-owned subsidiary of the Company, entered into a strategic cooperation agreement with 仁懷慶江山酒業有限公司 (Renhuai Qingjiangshan Wine Company Limited*) ("**Renhuai Qingjiangshan Wine**"), a company incorporated in the People's Republic of China, pursuant to which the parties (or their designated subsidiaries) entered into a 10-year cooperation plan for Renhuai Qingjiangshan Wine's self-brand "Qingjiangshan" series of products for giving impetus to the research, production, sales and market expansion of its sauce and wine products. Renhuai Qingjiangshan Wine currently has more than 30 franchised stores. It supports these stores with digital-driven technology for traditional sales channels and provides customized service, bottling service and other services for the high-end customers. Our sales channels are also expanding through implementation of various marketing strategies and advertisement. The Company believes that the Chinese Liquor Business will contribute a more significant value to the Company and its shareholders as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's current assets were approximately RMB548,637,000 (31 December 2022: RMB307,921,000), mainly comprising cash and bank balances (including pledged bank deposits), inventories, trade and bills receivables, prepayments, deposits and other receivables and financial assets at fair value through profit or loss. The Group's current liabilities were approximately RMB95,582,000 (31 December 2022: RMB95,585,000). The current ratio (the ratio of current assets to current liabilities) increased from approximately 3.22 times as at 31 December 2022 to approximately 5.74 times as at 31 December 2023.

As at 31 December 2023, bank borrowings were approximately RMB25,000,000 (31 December 2022: RMB10,000,000) which of which RMB10,000,000 carried at a fixed rate and RMB15,000,000 curried at a variable rate. The bank borrowings were denominated in RMB.

* *English translation of the name for identification only*

Gearing ratio

The gearing ratio is the ratio of net debt divided by total equity. Net debt is calculated as total debt net of cash and cash equivalents. As at 31 December 2023, the Group recorded a net cash position (31 December 2022: the Group recorded a net cash position) and hence, no gearing ratio is computed for the end of the Year.

Capital expenses

During the Year, the Group's capital expenditure was approximately RMB14,983,000, representing an decrease of RMB12,610,000 as compared to that of RMB27,593,000 in the Prior Year. Capital expenditure relates primarily to the purchase of plant and equipment.

Capital Commitments

The capital commitments not provided for in the consolidated financial statements as at 31 December 2023 was RMB1,614,000 (31 December 2022: RMB1,044,000), which represented the purchase of plant and machinery and automation transformation contracts.

Capital structure

The number of issued ordinary shares of the Company (the "**Shares**") as at 31 December 2023 was 720,000,000 Shares (31 December 2022: 1,440,000,000 Shares).

The authorised share capital of the Company as at 31 December 2023 was US$5,000,000 divided into 2,000,000,000 Shares with par value of US$0.0025 each (31 December 2022: US$1,000,000 divided into 2,000,000,000 Shares of par value of US$0.0005 each).

Share Consolidation

On 5 March 2023, the Company announced a proposed share consolidation on the basis that every five existing Shares of par value of US$0.0005 each into one consolidated share of par value of US$0.0025 each (the "**Consolidated Share**") in the share capital of the Company (the "**Share Consolidation**") and increase in authorised share capital of the Company (the "**Increase in Authorised Share Capital**").

Upon the Share Consolidation became effective on 30 May 2023, the authorised share capital of the Company became US$1,000,000 divided into 400,000,000 Consolidated Shares with par value of US$0.0025 each, of which 288,000,000 Consolidated Shares were in issue and fully paid or credited as fully paid. Immediately following the Share Consolidation, the authorised share capital of the Company increased from US$1,000,000 to US$5,000,000 divided into 2,000,000,000 Consolidated Shares by the creation of an additional 1,600,000,000 Consolidated Shares.

Details of the Share Consolidation and the Increase in Authorised Share Capital were set out in the Company's announcements dated 5 March 2023, 18 April 2023, 5 May 2023, 29 May 2023, 30 May 2023 and circular dated 5 May 2023.

Rights Issue

On 5 March 2023, the Company announced a proposed rights issue on the basis of three rights shares (the "**Rights Shares**") for every two Shares in issue at a subscription price of HK$0.67 per Rights Share (the "**Rights Issue**") to raise for approximately HK$289,440,000 by issuing 432,000,000 Rights Shares to the qualifying shareholders. One valid acceptance and application had been received for a total of 1,128,309 Rights Shares. The Company has, pursuant to Rule 7.21(1)(b) of the Listing Rules, made the compensatory arrangements by entering into a placing agreement (the "**Placing Agreement**") with a placing agent (the "**Placing Agent**") pursuant to which the Company conditionally appointed the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, placees to subscribe for the 430,871,691 untaken shares ("**Untaken Shares**") in accordance with the terms of the Placing Agreement. As all the 430,871,691 Untaken Shares were successfully placed at the price of HK$0.67 per Share under the placing to more than six placees.

On 28 July 2023, the Company allotted and issued 432,000,000 Rights Shares at subscription price of HK$0.67 per Rights Shares, representing 100% of the total number of Rights Shares offered for subscription under the Rights Issue. The subscription price of the Rights Shares was approximately a premium of 1.52% over the theoretical closing price of HK$0.66 per Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.132 per share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 March 2023, being the last trading day). The net proceeds from the Rights Issue (after deducting the estimated expenses) were approximately HK$286.55 million, representing a net price of approximately HK$0.663 per Rights Share. The analysis of the intended use and the status of the net proceeds up to the date of this announcement is as below.

Upon completion of the Rights Issue on 28 July 2023, the number of Shares in issue became 720,000,000 of par value US$0.0025 each thereafter.

Details of the Rights Issue were set out in the Company's announcements dated 5 March 2023, 18 April 2023, 5 May 2023, 30 May 2023, 3 July 2023, 27 July 2023, circular dated 5 May 2023 and prospectus dated 9 June 2023.

The analysis of the intended use and the status of the net proceeds up to the date of this announcement is as below.

Use of Proceeds from the Rights Issue

Intended uses	Intended uses of proceeds *HK$*	Actual use of proceeds up to the date of this announcement *HK$*	Net proceeds unutilised as at the date of this announcement *HK$*
Business development of the Chinese Liquor Business:			
– Setting up four ancient-Chinese-style bistros in the PRC	20,000,000	20,000,000	–
– Working capital in operating four bistros upon their opening	8,550,000	–	8,550,000
– Launching sizeable advertising campaigns across different districts in the PRC	100,000,000	100,000,000	–
– Payment of manufacturing cost to the wine factory including a) cost of raw materials; b) processing fee and c) packaging fee	100,000,000	100,000,000	–
Business development of the Faux Leather Chemicals Business:			
– Repayment of bank borrowings	11,500,000	11,500,000	–
– Investment in automation system	11,000,000	6,890,000	4,110,000
– Addition of production facilities	17,000,000	2,965,000	14,035,000
– Improvement in product quality	3,500,000	3,500,000	–
– Procurement of raw materials	15,000,000	13,877,000	1,123,000
	286,550,000	258,732,000	27,818,000

As at the date of this announcement, approximately RMB258,732,000 of the net proceeds from the Rights Issue have been used in the same manner and proportions as set out in the section headed "Reasons for the Rights Issue, the Placing and the Use of Proceeds" in the prospectus of the Company dated 9 June 2023 and approximately RMB27,818,000 of the net proceeds from the Rights Issue remain unutilized.

Use of Proceeds from placing of new Shares under general mandate on 29 August 2022 (the "Placing 2022")

On 29 August 2022, 240,000,000 Shares were allotted and issued by the Company to the placees who were independent third parties under general mandate. The net proceeds from the Placing 2022 was approximately HK$42,580,000 (equivalent to approximately RMB36,948,000).

As at 31 December 2023, the Company has fully utilised the net proceeds from Placing for the purposes as listed below.

Intended uses	Intended uses of proceeds *HK$*	Actual use of proceeds up to 31 December 2023 *HK$*
Business development of the Chinese Liquor Business:		
– Launching Chinese baijiu products tasting and recommendation events for expanding customer base and sales network	10,000,000	10,000,000
– Procurement of raw materials to manufacture the Group's Chinese baijiu products	11,290,000	11,290,000
General working capital:		
– Staff cost	11,290,000	11,290,000
– Selling and distribution expenses	5,000,000	5,000,000
– Other office overhead and general corporate purposes	5,000,000	5,000,000
	42,580,000	42,580,000

All the proceeds of approximately RMB36,948,000 have been used in the same manner and proportions as set out in the section headed "intended uses of proceeds".

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

Share Scheme

The Company has adopted a share option scheme on 10 February 2020 pursuant to which the total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 100,000,000 Shares. Following the effect of the Share Consolidation on 30 May 2023, the options may be granted under the Share Option Scheme shall not exceed 20,000,000 Shares.

The scheme mandate limit had not been refreshed and no options were granted since the date of adoption of the Share Option Scheme.

INVESTMENTS

As at 31 December 2023, the Group had invested in the shares of companies listed on the Stock Exchange with a total carrying amount of approximately RMB9,522,000 (equivalent to approximately HK$10,508,000) (31 December 2022: RMB7,763,000 (equivalent to approximately HK$8,690,000)). The Board considers any single investment with fair value accounting for more than 5% of the total assets of the Group as a significant investment. As the Group did not have any single investment accounting for 5% or more of the total assets of the Group as at 31 December 2023, the Group did not have any significant investments as at 31 December 2023.

The portfolio of equity investments as at 31 December 2023 are set out as follows.

	Investment cost	**Unrealised fair value loss as at 31 December 2023**	**Fair value of the investment in listed securities as at 31 December 2023**	**Percentage of fair value of the investment in listed securities/total assets of the Group as at 31 December 2023**
	RMB'000	*RMB'000*	*RMB'000*	
Financial assets at fair value through profit or loss	18,951	(9,429)	9,522	1.29%

During the Reporting Period, details of the performance of financial assets at fair value through profit or loss during the year ended 31 December 2023 are as follows:

Description of investments	**Realised fair value gain/ (loss) for the year ended 31 December 2023**	**Unrealised fair value gain/ (loss) for the year ended 31 December 2023**	**Dividend received during the year ended 31 December 2023**
	RMB'000	*RMB'000*	*RMB'000*
Listed securities in Hong Kong	4,032	(2,181)	–

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

Save as disclosed above, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates, joint ventures and capital assets during the year ended 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, we did not record any material hire purchase commitments, contingent liabilities, guarantees or litigations against us.

FOREIGN CURRENCY RISK AND MANAGEMENT

The Group's sales and purchases are mainly denominated in RMB. The Group retains some of its foreign currency denominated funds, which are mainly denominated in Hong Kong dollars. Fluctuations in exchange rates have an impact on the foreign currency reserve and the Company is exploring and discussing measures to cope with the foreign exchange risk. As at 31 December 2023, the Group did not enter into any financial instruments to hedge foreign exchange.

HUMAN RESOURCES

As at 31 December 2023, the Group had a total of 208 (2022: 200) employees. The Group offers its employees competitive remuneration packages based on industry practices and performance of individual employees. Year-end discretionary bonuses may be granted to reward and motivate those well-performed employees.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own corporate governance code. The Company is committed to the establishment of good corporate governance practices and procedures with a view to becoming a transparent and responsible organisation which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is essential for creating greater value to its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for Shareholders.

During the Reporting Period and up to the date of this announcement, the Group has strictly complied with the CG Code with the exception of the following deviations:

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

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

3. Code Provision F.2.2 of the CG Code stipulates that the chairman should attend the annual general meeting and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Since the company does not have a Chairman, Mr. Lam Kam Kong Nathaniel, an executive Director, took the chair of the annual general meeting held on 29 May 2023. Mr. Ho Ho Tung Armen, who was the chairman of the audit committee of the Company, and Mr. Lee Cheung Yuet Hoarce, who was the chairman of the nomination committee and the remuneration committee of the Company, attended the meeting and were available to answer any questions and ensure effective communication with the Shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules and at least 25% of the Company's entire issued share capital were held by the public from the Listing Date and up to the date of this annual report.

EVENTS SUBSEQUENT TO REPORTING PERIOD

The acquisition of Properties (the "Acquisition")

On 9 October 2023, Zhejiang Sunlight Material Technology Co., Ltd. (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into the property transfer agreement with Hangzhou Qiyue Investment Management Co., Ltd. (the "**Vendor**"), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to transfer all rights and risks of the premises located at unit nos. 1601, 1602, 1603 and 1604 on Level 16 and unit nos. 1701, 1702, 1703 and 1704 on Level 17, Block No. 1 (also known as "E1") of Zhihui Zhongchuang Center, No. 3 Xiyuan 8th Road, ZJU Rainforest, Core Area of Zijin Innovation Town, Sandun Town, Xihu District, Hangzhou City, Zhejiang Province, the PRC (the "**Properties**") (including the rights to apply for the relevant certificates of ownership in respect of the Properties) to the Purchaser at a consideration of RMB30,000,000. The transaction was completed on 7 February 2024 (the "**Completion**"). Following the Completion, the relevant ownership certificates of the Properties have been issued in the name of the Purchaser, a wholly-owned subsidiary of the Company. The Vendor is wholly-owned by Mr. Chen Hua, an executive Director. Therefore, the Vendor is an associate of Mr. Chen Hua and accordingly, a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the Acquisition were set out in the announcement dated 9 October 2023, the circular dated 10 November 2023, the delay in Completion announcements dated 29 December 2023 and 31 January 2024 and the Completion announcement dated 7 February 2024.

SCOPE OF WORK OF KTC PARTNERS CPA LIMITED

The figures set out in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto disclosed in this annual results announcement of the Group for the year ended 31 December 2023 have been agreed by the Company's auditors, KTC Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KTC Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

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

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the year ended 31 December 2023.

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

The annual results announcement has been published on the websites of the Stock Exchange (www.hkexnews.com.hk) and the Company (www.dlhl1950.com). The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be despatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong
28 March 2024

As at the date of this announcement, the Board comprises Mr. Chen Hua, Mr. Lam Kam Kong Nathaniel, Mr. Sun Jingang and Mr. Tse Chun Chung as executive Directors; Mr. Au Hei Ching, Mr. Lee Cheung Yuet Horace, Mr. Huang Zhenming and Ms. Zhou Xiaochun as independent non-executive Directors.