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WElli Holdings Limited

偉立控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2372)

VOLUNTARY ANNOUNCEMENT BUSINESS UPDATE

This announcement is made by WElli Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis. The purpose of this announcement is to keep the shareholders of the Company (the “**Shareholders**”) and potential investors informed of the latest business development of the Group.

Reference is made to the Company’s interim report for the six months ended 30 June 2022 (the “**Interim Report**”). As disclosed in the Interim Report, the operating conditions of the Group have become more and more challenging since July 2022. The board (“**Board**”) of directors (“**Directors**”) of the Company would like to inform the Shareholders and potential investors that, based on the preliminary review on the unaudited consolidated management accounts of the Group for the three months ended 30 September 2022 (“**Q3 2022**”), the Group recorded a decrease in revenue of approximately RMB23.5 million in Q3 2022, from approximately RMB78.4 million for the three months ended 30 September 2021 (“**Q3 2021**”) to approximately RMB54.9 million for Q3 2022. The Group also recorded a decrease in sales volume of approximately 13.2 million tonnes in Q3 2022, from approximately 52.8 million tonnes for Q3 2021 to approximately 39.6 million tonnes for Q3 2022.

Based on the relevant information currently available to the Company, the decrease in revenue and sales volume was mainly due to (i) the power shortage in the PRC due to the heatwave and record-breaking high temperatures since mid-July 2022; (ii) COVID-19 cases found in different regions of the PRC, including Hubei Province and several other regions where the Group’s customers are located since mid-July 2022; and (iii) some of the Group’s major customers have lost tenders or were awarded tenders with less volume from their customers.

POWER SHORTAGE

Since mid-July 2022, several provinces, including Hubei Province where the Group's headquarter is located, have been facing a heatwave with record-breaking high temperature. Driven by the need for air conditioning, the power demand has increased significantly, which put pressure on the electricity supply. On 16 August 2022, the Group received a letter from the local government and electricity supplier, stating that the Hubei Province and Huanggang City were facing a power deficit in their power-grid. The letter also required enterprises to cooperate with the local government to secure the power needs of local residents and important users. To cooperate with the government, the Group has voluntarily adjusted its operating hours to avoid the demand spike of electricity, which has posed challenges to the Group to maintain optimal productivity and outputs.

COVID-19 OUTBREAK

Since mid-July 2022, COVID-19 cases were found in different regions in the PRC which were previously relatively unaffected by the outbreak in the first half of 2022, such as Hubei Province, Henan Province, Heilongjiang Province and Chongqing. Logistics restrictions were therefore imposed as countermeasures by the local governments. Several districts in Hubei Province, Henan Province, Heilongjiang Province and Chongqing, where the Group's customers are located, were affected, resulting in decreased orders from these customers. The Directors consider that there is uncertainty on the development of the COVID-19 epidemic in the PRC, and the impact brought by the COVID-19 outbreak to the PRC may still continue. If the situation continues or worsens, there may be material adverse impact on the Group's revenue and financial performance for the fourth quarter ending 31 December 2022.

MAJOR CUSTOMERS LOSING TENDERS

Since the second half of 2022, some of the Group's major customers have lost their tenders or were awarded tenders with less volume in respect of certain cigarette brands from their customers, which are mainly cigarette manufacturers. It resulted in reduced orders from such customers to the Group in respect of such affected cigarette brands. The Directors consider that the adverse impact brought by the loss of tenders of these major customers will continue in the fourth quarter ending 31 December 2022 and the year of 2023.

The information contained in this announcement is only based on a preliminary review of the unaudited consolidated management accounts of the Group with reference to the information currently available to the Company, which has not been reviewed or audited by the auditors of the Company or reviewed by the audit committee of the Company and may be subject to further adjustments.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

On behalf of the Board
WEIli Holdings Limited
Chen Weizhuang
Chairman and Executive Director

Hong Kong, 14 October 2022

As at the date of this announcement, the Board comprises Mr. Chen Weizhuang and Mr. Yu Tianbing as executive Directors, Mr. Hu Haoran as a non-executive Director, and Mr. Liu Yimin, Mr. Chen Yeung Tak and Ms. Feng Yuan as independent non-executive Directors.