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WEIli Holdings Limited

偉立控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2372)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS HIGHLIGHTS

- Revenue decreased by approximately 67.5% to approximately RMB63.6 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately RMB195.5 million).
- Gross profit decreased by approximately 88.2% to approximately RMB5.2 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately RMB43.9 million).
- The Group recorded a loss attributable to shareholders of the Company of approximately RMB3.9 million for the six months ended 30 June 2023 (six months ended 30 June 2022: a profit attributable to shareholders of the Company of approximately RMB20.0 million).
- Basic losses per share was approximately RMB0.5 cents for the six months ended 30 June 2023 (six months ended 30 June 2022: basic earnings per share of approximately RMB3.3 cents).
- The Board has resolved not to recommend the declaration of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of WEIli Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022.

This condensed consolidated interim financial information is presented in Renminbi, (“RMB”), rounded to the nearest thousand, unless otherwise stated.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	63,631	195,529
Cost of sales	5	<u>(58,429)</u>	<u>(151,641)</u>
Gross profit		5,202	43,888
Selling expenses	5	(2,181)	(4,637)
Administrative expenses	5	(8,821)	(15,313)
Reversal of/(provision for) loss allowance on financial assets		698	(679)
Other income		169	1,078
Other gains/(losses) — net		<u>168</u>	<u>(747)</u>
Operating (loss)/profit		(4,765)	23,590
Finance income		1,013	264
Finance costs		<u>—</u>	<u>(209)</u>
Finance income — net		<u>1,013</u>	<u>55</u>
(Loss)/profit before income tax		(3,752)	23,645
Income tax expense	6	<u>(112)</u>	<u>(3,679)</u>
(Loss)/profit for the period		<u>(3,864)</u>	<u>19,966</u>
(Loss)/profit attributable to:			
— Shareholders of the Company		<u>(3,864)</u>	<u>19,966</u>
(Losses)/earnings per share for (loss)/profit attributable to shareholders of the Company for the period	7		
Basic and diluted (RMB)		<u>(0.5) cents</u>	<u>3.3 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(3,864)	19,966
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive (loss)/income for the period	<u>(3,864)</u>	<u>19,966</u>
(Loss)/profit attributable to:		
— Shareholders of the Company	<u>(3,864)</u>	<u>19,966</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		20,690	21,214
Right-of-use assets		2,961	2,999
Intangible assets		105	116
Deferred income tax assets		740	852
Prepayment		–	580
		24,496	25,761
Current assets			
Inventories		71,990	55,718
Trade receivables	9	90,454	107,403
Bills receivable	10	21,000	8,485
Prepayments and other receivables		7,727	3,613
Restricted cash		2,904	11,512
Cash and cash equivalents		102,897	110,280
		296,972	297,011
Total assets		321,468	322,772

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	12	6,842	6,842
Other reserves		169,827	169,827
Retained earnings		42,237	46,101
		<hr/>	<hr/>
Total equity		218,906	222,770
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Deferred income		1,605	1,626
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	11	100,255	95,762
Current income tax liabilities		702	2,614
		<hr/>	<hr/>
		100,957	98,376
		<hr/>	<hr/>
Total liabilities		102,562	100,002
		<hr/>	<hr/>
Total equity and liabilities		321,468	322,772
		<hr/>	<hr/>
Net current assets		196,015	198,635
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

WEIli Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 21 April 2021 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of its registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in manufacturing and sales of cigarette packaging paper in the People’s Republic of China (the “PRC”).

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2022.

This interim condensed consolidated financial information (the “Interim Financial Information”) is presented in RMB, unless otherwise stated, and has been approved for issue by the Board of the Company on 29 August 2023.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The Interim Financial Information is to be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “2022 Financial Statements”).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied to the Interim Financial Information are consistent with the 2022 Financial Statements.

(a) Amendments to existing standards and improvements adopted by the Group

The following new standards and amendments to existing standards and improvements are relevant and mandatory for the Group's financial reporting period beginning on 1 January 2023:

		Effective for annual years beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to Hong Kong Accounting Standards ("HKAS") 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	1 January 2023

The adoption of the amendments to existing standards and improvements does not have any significant impact to the results and financial position of the Group.

(b) New standard and amendments to existing standards not yet adopted

The following new standards and amendments to existing standards relevant to the Group have been issued but are not effective for the financial reporting period beginning on 1 January 2023 and have not been early adopted by the Group:

		Effective for annual years beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standard and amendments to existing standards are effective for annual periods beginning on or after 1 January 2024 and have not been applied in preparing this interim condensed consolidated financial information. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

4. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in manufacturing and sales of cigarette packaging paper. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. The executive directors of the Company consider that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

All of the businesses of the Group are carried out in the PRC during periods ended 30 June 2023 and 2022. An analysis of the Group’s revenue as well as timing of revenue recognition is as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
Goods transferred at point in time		
— Sales of cigarette packaging paper and raw materials	63,631	195,283
Services transferred over time		
— Processing service income	—	246
	<u>63,631</u>	<u>195,529</u>

For the six months ended 30 June 2023 and 2022, all revenues of the Group were derived from external customers and they were all generated from the PRC.

For the six months ended 30 June 2023 and 2022, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Unaudited	
	Six months ended 30 June	
	2023	2022
Customer 1	23%	*
Customer 2	17%	*
Customer 3	15%	18%
Customer 4	12%	*
Customer 5	*	22%
Customer 6	*	21%

* This customer contributed less than 10% of total revenue for the corresponding period.

5. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Raw materials and goods used	55,879	150,226
Staff costs	5,807	6,179
Depreciation of property, plant and equipment and right-of-use assets	1,567	1,690
Utilities	1,342	1,898
Freight charges	1,118	2,712
Professional service fees	1,111	78
Travelling and entertainment expenses	669	1,373
Office expense	570	98
Tax surcharges	179	707
Maintenance fees	141	190
Short-term lease expenses	100	22
Cost of security and cleaning	74	144
Amortisation of intangible assets	11	46
Listing expenses	–	6,032
Miscellaneous expenses	863	196
	<u>69,431</u>	<u>171,591</u>

6. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax		
— The PRC current tax	–	3,784
Deferred income tax	112	(105)
	<u>112</u>	<u>3,679</u>

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

(a) Cayman Islands and the British Virgin Islands (the "BVI") profits tax

The Company was incorporated in the Cayman Islands as an exempted company and is not liable for taxation in the Cayman Islands. The Company's subsidiary incorporated in the BVI is also an exempted company and is not liable for taxation in the BVI.

(b) Hong Kong profits tax

The subsidiary of the Company incorporated in Hong Kong is subject to profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have estimated assessable profit in Hong Kong during the six months ended 30 June 2023 and 2022.

(c) The PRC Enterprise Income Tax

Subsidiary incorporated in the PRC has obtained the approvals to become a new and high-technology enterprise and are entitled to a preferential income tax rate of 15% on the estimated assessable profits during the six months ended 30 June 2023 and 2022.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 and a new tax incentives policy effective from 2021 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The Group has considered the Super Deduction to be claimed for the Group entities in ascertaining their assessable profits during the six months ended 30 June 2023 and 2022.

7. (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue, the 1,000 shares issued from 21 April 2021 to 29 June 2022 and the capitalisation issue of 599,999,000 shares were deemed to have been in issue since 1 January 2021.

	Unaudited	
	Six months ended 30 June	
	2023	2022
(Loss)/profit attributable to shareholders of the Company (RMB'000)	<u>(3,864)</u>	<u>19,966</u>
Weighted average number of ordinary shares for basic (losses)/ earnings per share (thousand shares)	<u>800,000</u>	<u>601,105</u>
Basic (losses)/earnings per share (RMB)	<u><u>(0.5) cents</u></u>	<u><u>3.3 cents</u></u>

(b) Diluted

Diluted (losses)/earnings per share for the six months end 30 June 2023 and 2022 are the same as the basic (losses)/earnings per share.

8. DIVIDEND

The Company did not declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. TRADE RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Trade receivables (a)	93,671	111,346
Less: loss allowance	(3,217)	(3,943)
	<u>93,671</u>	<u>(3,943)</u>
Trade receivables — net	<u>90,454</u>	<u>107,403</u>

- (a) The carrying amounts of trade receivables were denominated in RMB. The credit period for trade receivables was generally 60 to 180 days from the date of billing. The ageing analysis of trade receivables based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Within 30 days	38,557	34,879
31 to 90 days	14,222	19,319
91 to 180 days	5,500	39,618
181 days to 1 year	35,380	16,353
Over 1 years	12	1,177
	<u>93,671</u>	<u>111,346</u>
	<u>93,671</u>	<u>111,346</u>

10. BILLS RECEIVABLE

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Bills receivable measured at fair value through other comprehensive income ("FVOCI")	<u>21,000</u>	<u>8,485</u>

As at 30 June 2023, bills receivable measured at FVOCI of approximately RMB19,500,000 (31 December 2022: Nil) was pledged to secure bills payable of the Group (Note 12).

11. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Trade payables (a)	70,176	62,221
Bills payable (b)	24,803	23,023
Employee benefits payable	1,308	2,856
Other accrued expenses	3,460	3,331
Refund liabilities	450	271
Other tax payable excluding income tax liabilities	58	4,060
	<u>100,255</u>	<u>95,762</u>

(a) Ageing analysis of trade payables based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Up to 30 days	34,274	26,042
31 to 90 days	14,214	23,028
91 to 180 days	13,915	8,965
181 days to 1 year	7,535	3,869
Over 1 year	238	317
	<u>70,176</u>	<u>62,221</u>

(b) As at 30 June 2023, the bills payable was secured by bank deposits, bills receivable (Note 10), the Group's buildings and land-use rights.

As at 31 December 2022, the bills payable was secured by bank deposits, the Group's buildings and land-use rights.

12. SHARE CAPITAL

	Authorised ordinary shares	
	Number of shares ('000)	Hong Kong dollar ("HKD") '000
As at 30 June 2023 and 31 December 2022	<u>10,000,000</u>	<u>100,000</u>
	Issued	
	Number of shares ('000)	
		HKD '000 RMB '000
As at 30 June 2023 and 31 December 2022	<u>800,000</u>	<u>8,000 6,842</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

The Group is a PRC-based cigarette packaging paper manufacturer with research and development capabilities to supply customised products to the customers. The Group supplies products primarily to cigarette package manufacturers which operate in different provinces of the PRC, mainly including Hubei Province and Henan Province. The products sold by the Group are used in the manufacture of cigarette packages for well-known cigarette brands in the PRC. During the Reporting Period, the Group's products were used as cigarette packaging materials for cigarette brands which were recognised as the “Dual 15 cigarette brands (雙十五煙草品牌)” by the State Tobacco Monopoly Administration (中國國家煙草專賣局).

During the Reporting Period, the Group's revenue was mainly derived from the sale of cigarette packaging paper. The Group's products are categorised into (i) transfer paper; (ii) laminated paper; and (iii) frame paper. To a much lesser extent, the Group also provided cigarette packaging paper processing services to cigarette package manufacturers.

During the Reporting Period, several major customers of the Group have temporarily reduced their orders of transfer paper and laminated paper from the Group. The Directors consider that such temporary reduction in orders was mainly due to the revision of cigarette packaging policy by the State Tobacco Monopoly Administration (中國國家煙草專賣局) (i.e. adding QR code on all cigarette packages) (“**QR Code Packaging Revision**”). The Group therefore recorded a decrease in revenue and a net loss during the Reporting Period as compared to a net profit for the six months ended 30 June 2022. The Directors consider that the adverse impact brought by the QR Code Packaging Revision was temporary and expect that orders will be resumed in the second half of year 2023.

Looking into the future, since the demand for tobacco products is inelastic in general due to its product nature, the number of smokers in the PRC is expected to remain stable in the foreseeable future despite the smoking control policies imposed by the government. In addition, benefiting from the focus of the cigarette industry towards mid-to-high end and the increase in purchasing power of PRC citizens, the demand of mid-to-high-end cigarettes which generally entails the use of cigarette packaging paper with advanced technical is expected to increase. Considering the above factors, the Board is expecting a positive prospect in the cigarette packaging paper industry in the near future.

FINANCIAL REVIEW

Revenue

The Group's overall revenue decreased from approximately RMB195.5 million for the six months ended 30 June 2022 to approximately RMB63.6 million for the Reporting Period, representing a decrease of approximately RMB131.9 million or 67.5%. Such decrease was mainly due to several major customers of the Group have temporarily reduced their orders of transfer paper and laminated paper products from the Group, which the Directors consider such temporary reduction in orders was mainly due to the QR Code Packaging Revision.

Cost of sales

The Group's cost of sales decreased from approximately RMB151.6 million for the six months ended 30 June 2022 to approximately RMB58.4 million for the Reporting Period, representing a decrease of approximately RMB93.2 million or 61.5%. Such decrease was mainly due to the net effect of (i) the decrease in the Group's revenue of approximately 67.5% for the Reporting Period; (ii) the relatively stable depreciation expenses and the less-than-proportionate decrease in utilities and staff costs as certain fixed utilities such as electricity and certain number of workers are required to maintain the operation of the office and production facilities of the Group, despite the temporary reduction in orders during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately RMB43.9 million for the six months ended 30 June 2022 to approximately RMB5.2 million for the Reporting Period, representing a decrease of approximately RMB38.7 million or 88.2%. Such decrease was mainly due to the decrease in revenue and the less-than-proportionate decrease in cost of sales as compared to the decrease in the overall revenue for the corresponding period as discussed above.

The Group's gross profit margin decreased from approximately 22.4% for the six months ended 30 June 2022 to approximately 8.2% for the Reporting Period, mainly due to the less-than-proportionate decrease in the Group's cost of sales for the Reporting Period as compared to the decrease in the Group's overall revenue for the corresponding period as discussed above.

Selling expenses

The Group's selling expenses decreased from approximately RMB4.6 million for the six months ended 30 June 2022 to approximately RMB2.2 million for the Reporting Period, representing a decrease of approximately RMB2.4 million or 52.2%. Such decrease was mainly due to the decrease in freight charges as a result of the decrease in sales volume during the Reporting Period.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB15.3 million for the six months ended 30 June 2022 to approximately RMB8.8 million for the Reporting Period mainly due to the decrease in listing expenses from approximately RMB6.0 million for the six months ended 30 June 2022 to nil for the Reporting Period.

Reversal of/(provision for) loss allowance on financial assets, net

The Group recorded provision for loss allowance on financial assets of approximately RMB0.7 million for the six months ended 30 June 2022 and reversal of loss allowance on financial assets of approximately RMB0.7 million for the Reporting Period mainly due to the decrease in the outstanding amount of trade receivables as at 30 June 2023.

Other income

The Group's other income decreased from approximately RMB1.1 million for the six months ended 30 June 2022 to approximately RMB0.2 million for the Reporting Period, which was mainly due to the decrease in government grants received by the Group.

Other gains/(losses) — net

The Group recorded net losses of approximately RMB0.7 million for the six months ended 30 June 2022 and net gains of approximately RMB0.2 million for the Reporting Period, which was mainly attributable to the exchange losses of approximately RMB0.7 million for the six months ended 30 June 2022 has changed to exchange gains of approximately RMB0.2 million for the Reporting Period.

Finance income — net

The Group's net finance income increased from approximately RMB0.1 million for the six months ended 30 June 2022 to approximately RMB1.0 million for the Reporting Period, which was mainly attributable to the combined effect of (i) the increase in interest income on bank deposits and restricted cash; and (ii) the decrease in interest expenses on bank borrowings.

Income tax expense

The Group recorded profit before income tax of approximately RMB23.6 million for the six months ended 30 June 2022 and loss before income tax of approximately RMB3.8 million for the Reporting Period mainly due to the decrease in the Group's revenue and gross profit as discussed above.

The Group's income tax expense decreased from approximately RMB3.7 million for the six months ended 30 June 2022 to approximately RMB0.1 million for the Reporting Period which was mainly due to the loss before income tax recognised for the Reporting Period.

(Loss)/Profit and total comprehensive (loss)/income

The Group recorded profit and total comprehensive income of approximately RMB20.0 million for the six months ended 30 June 2022 and loss and total comprehensive loss of approximately RMB3.9 million for the Reporting Period. The change was primarily attributable to the decrease in the Group's revenue and gross profit as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since the date of Listing (the "**Listing Date**") and up to the date of this announcement.

As at 30 June 2023, the Company's issued capital was HK\$8.0 million and the number of its issued ordinary Shares was 800,000,000 Shares of HK\$0.01 each.

As at 30 June 2023, the Group had total cash and cash equivalents of approximately RMB102.9 million (31 December 2022: approximately RMB110.3 million).

As at 30 June 2023, the Group had no bank borrowings (31 December 2022: Nil).

The gearing ratio of the Group as at 30 June 2023, calculated as total borrowings (including bank borrowings and finance lease liabilities) divided by the total equity was 0% (31 December 2022: 0%).

TREASURY POLICY

The Group has implemented a series of internal control policies and rules regarding investment to ensure that the purpose of investment is to preserve capital and liquidity, and the Group would only purchase investment products under limited circumstances. The Group's finance department is responsible for managing the investment activities, and investment strategies and decisions of the finance department are subject to review and approval of the Board and management team. Prior to making a proposal to invest in investment products, the Group will assess and ensure that there remains sufficient working capital for the business needs, operating activities, research and development and capital expenditures even after purchasing such investment products. The Group adopts a prudent approach in selecting investment products. The Group generally analyses the investment products based on its historical financial performance. Should the Group notice any adverse changes to the financial performance of the investment products based on available information, the finance department will report to the Board and take appropriate actions in a timely manner.

FOREIGN EXCHANGE EXPOSURE

The Group transacts mainly in RMB, which is the functional currency of the Group's principal operating subsidiaries. However, the Group retains certain proceeds from the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") in Hong Kong dollars that are exposed to foreign exchange rate risks. The Board considers that the Group has not exposed to significant foreign exchange risk and no foreign exchange hedging was conducted by the Group during the Reporting Period.

CAPITAL EXPENDITURES

During the Reporting Period, the Group incurred capital expenditures of approximately RMB1.0 million (six months ended 30 June 2022: RMB6,000) in the purchase of machinery and approximately RMB19,000 (six months ended 30 June 2022: RMB32,000) in the purchase of electronic and other equipment.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any capital commitment (31 December 2022: RMB0.5 million).

As at 31 December 2022 and 30 June 2023, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period. Save for the business plans as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 17 June 2022 (the “**Prospectus**”), the Group did not have any future plan for material investments or capital assets as at 30 June 2023. For details, please refer to the section headed “Use of Proceeds” in this announcement.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Reporting Period.

PLEDGE OF ASSETS

As at 31 December 2022, buildings with net book value of approximately RMB12.1 million were pledged to secure bills payable of the Group, and leasehold land use right with net book value of approximately RMB3.0 million were pledged to secure bills payable of the Group.

As at 30 June 2023, bills receivables measured at FVOCI of approximately RMB19.5 million (31 December 2022: Nil) was pledged to secure bills payable of the Group, buildings with net book value of approximately RMB11.6 million were pledged to secure bills payable of the Group, and leasehold land use right with net book value of approximately RMB3.0 million were pledged to secure bills payable of the Group.

The Group’s restricted cash were with maturity within one year, denominated in RMB and represented bank deposits pledged to banks for the issuance of bank acceptance bills payable in respect of future settlement to suppliers of the Group.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of interim dividend for the Reporting Period (six months ended 30 June 2022: Nil).

USE OF PROCEEDS

The net proceeds from the Listing, after deducting related expenses, were approximately HK\$90.3 million. An analysis of the utilisation of the use of proceeds from the Listing Date and up to 30 June 2023 are set out as below:

Description	Intended use of proceeds <i>HK\$' million</i>	Utilised	Utilised	Unutilised	Expected timeline for utilising the unutilised net proceeds
		amount during the six months ended 30 June 2023 <i>HK\$' million</i>	amount as at 30 June 2023 <i>HK\$' million</i>	amount as at 30 June 2023 <i>HK\$' million</i>	
Expanding the Group's production capacity, production efficiency and product portfolio	55.4	0.6	1.3	54.1	Before 31 December 2025
Enhancing the Group's research and development capabilities	17.6	–	–	17.6	Before 31 December 2025
Enhancing the Group's enterprise resource planning system and infrastructure system	5.8	0.1	0.1	5.7	Before 31 December 2025
Increasing the Group's marketing efforts	2.6	0.1	0.1	2.5	Before 31 December 2025
Reserved as the Group's general working capital	8.9	–	8.9	–	Not applicable
Total	<u>90.3</u>	<u>0.8</u>	<u>10.4</u>	<u>79.9</u>	

As at the date of this announcement, there was no change for the intended use of net proceeds from the Listing as disclosed in the Prospectus.

In view of the business disruption during the second half of 2022 and the Reporting Period which was mainly caused by (i) the power shortage in Hubei Province occurred during the third quarter of 2022; (ii) the countermeasures to COVID-19 imposed by the local governments in several regions in the PRC since mid-July 2022; (iii) the Group's customers experienced a loss of tenders and/or decrease in sales volume during the second half of 2022; and (iv) the temporary reduction in the orders from several major customers of the Group during the Reporting Period, which the Directors consider that was mainly due to the QR Code Packaging Revision, the Company was not able to further expand the Group's production capacity and production efficiency as originally planned. The Directors consider that the adverse impact brought by the QR Code Packaging Revision was temporary and expect that orders will be resumed in the second half of year 2023. It is expected that the remaining unutilised amount of net proceeds will be utilised by the year ending 31 December 2025.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 117 employees (30 June 2022: 125 employees). Remuneration to our employees comprises salaries and allowances and bonuses. The Group generally reviews the performance of the employees by way of annual appraisals. The results of these reviews are used for the purposes of salary adjustments and promotion. The total staff costs incurred by the Group for the Reporting Period was approximately RMB5.8 million compared to approximately RMB6.2 million for the corresponding period in 2022. Various on-the-job trainings were provided to the employees. The Group provides various trainings including induction training for new employees, on-the-job training, team-building training and external training for the employees to keep them abreast of the latest technical development relevant to the industry.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees in the PRC. The Group is required to make contributions to the retirement plans at certain percentage of the employees' payroll. For the six months ended 30 June 2023, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events from the end of the Reporting Period to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. During the six months ended 30 June 2023 to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 the required standard for securities transactions by Directors. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2023 and up to the date of this announcement.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the six months ended 30 June 2023 and up to the date of this announcement.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at 30 June 2023 or at any time during the six months ended 30 June 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
Mr. Chen Weizhuang (“Mr. Chen”)	Interest in a controlled corporation (Note 2)	339,040,000 (L)	42.38%
Mr. Yu Tianbing (“Mr. Yu”)	Interest in a controlled corporation (Note 3)	96,000,000 (L)	12.00%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. The Company is owned as to 42.38% by City Ease Limited (“City Ease”). City Ease is wholly-owned by Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the same number of Shares held by City Ease.
3. The Company is owned as to 12.00% by Yong Ning Limited (“Yong Ning”). Yong Ning is wholly-owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in the same number of Shares held by Yong Ning.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in any 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2023, so far as it was known to the Directors, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity/ Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
City Ease	Beneficial owner (Note 2)	339,040,000 (L)	42.38%
Ms. Liu Yuezhu	Interest of spouse (Note 3)	339,040,000 (L)	42.38%
Enlighten East Limited ("Enlighten East")	Beneficial owner (Note 4)	146,960,000 (L)	18.37%
Yong Ning	Beneficial owner (Note 5)	96,000,000 (L)	12.00%
Ms. Zhou Huaqin	Interest of spouse (Note 6)	96,000,000 (L)	12.00%

Notes:

1. The letter “L” denotes a person’s/corporation’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. The Company is owned as to 42.38% by City Ease. City Ease is wholly-owned by Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the same number of Shares held by City Ease.
3. Ms. Liu Yuezhu (劉月珠) is the spouse of Mr. Chen. Under the SFO, Ms. Liu Yuezhu is deemed to be interested in the Shares in which Mr. Chen is interested.
4. The Company is owned as to 18.37% by Enlighten East. Enlighten East is owned as to 32.66%, 28.57%, 22.44% and 16.33% by Mr. Hu Haoran, Mr. Wu Bo, Mr. Lu Shunhe and Mr. Lin Huan, respectively, and none of them, together with his respective close associates, controls one-third or more of the voting power at the general meetings of Enlighten East.
5. The Company is owned as to 12.00% by Yong Ning. Yong Ning is wholly-owned by Mr. Yu. By virtue of the SFO, Mr. Yu is deemed to be interested in the same number of Shares held by Yong Ning.
6. Ms. Zhou Huaqin (周華琴) is the spouse of Mr. Yu. Under the SFO, Ms. Zhou Huaqin is deemed to be interested in the Shares in which Mr. Yu is interested.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

Written resolutions of the Shareholders of the Company were passed on 2 June 2022 to conditionally adopt the share option scheme (the “**Share Option Scheme**”). The principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” in the report of the Directors in the annual report of the Company for the year ended 31 December 2022.

As at 1 January 2023 and 30 June 2023, the number of options available for grant under the Share Option Scheme was 80,000,000 Shares, respectively. There was no service provider sublimit set under the Share Option Scheme during the six months ended 30 June 2023.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the six months ended 30 June 2023 and there was no outstanding option as at 30 June 2023.

MANAGEMENT CONTRACT

No contract, other than a contract of service with any Director or any person in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the six months ended 30 June 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the six months ended 30 June 2023 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the audit committee (“**Audit Committee**”) on 2 June 2022 with written terms of reference. The composition of the Audit Committee meets the requirement of Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of the Company and perform other duties and responsibilities assigned by the Board. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chen Yeung Tak, Mr. Liu Yimin and Ms. Feng Yuan. Mr. Chen Yeung Tak is the chairperson of the Audit Committee.

REVIEW OF INTERIM FINANCIAL RESULTS BY AUDIT COMMITTEE

The unaudited consolidated interim financial information of the Group for the six months ended 30 June 2023 and the accounting information given in this announcement has not been reviewed by the external auditor of the Company but has been reviewed by the Audit Committee, which agreed with the accounting treatment adopted by the Company, and was of the opinion that the preparation of such accounting information complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement will be published on the Company's website at www.weiliholdings.com and the Stock Exchange's website at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2023 will be despatched to its shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course in the manner as required by the Listing Rules.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the period.

On behalf of the Board

Chen Weizhuang

Chairman and Executive Director

Hong Kong, 29 August 2023

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.