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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)

**(1) DISCLOSEABLE TRANSACTION — ACQUISITION OF
THE MACHINERY;
AND
(2) CHANGE IN USE OF NET PROCEEDS**

THE ACQUISITION

The Board announces that on 27 October 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into the Machinery Purchase Agreement with the Vendor, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Machinery at a total consideration of RMB21,390,400 (inclusive of VAT).

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined in the Listing Rules) for the Company in respect of the Machinery Purchase Agreement exceeds 5% but are less than 25%, the entering into of the Machinery Purchase Agreement and the transaction contemplated thereunder constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

CHANGE IN USE OF NET PROCEEDS

As at the date of this announcement, the Unutilised Net Proceeds amounted to approximately HK\$79.0 million. For the reasons set out in the paragraph headed “Reasons for and Benefits of the Acquisition of the Machinery and Change in Use of Net Proceeds” in this announcement below, the Board has resolved to change the use of Unutilised Net Proceeds to acquire the Machinery as mentioned above.

THE ACQUISITION

The Board announces that on 27 October 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into the Machinery Purchase Agreement with the Vendor, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Machinery at a total consideration of RMB21,390,400 (inclusive of VAT).

The principal terms of the Machinery Purchase Agreement are set out below:

Date : 27 October 2023 (after trading hours)

Parties : (1) the Vendor
(2) the Purchaser

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Machinery to be acquired

Pursuant to the Machinery Purchase Agreement, the Purchaser will acquire and the Vendor will sell the Machinery, which consists of two printing machines and one set of positioning crosscutting machine for coloured cigarette packaging paper production.

Consideration and payment terms

The consideration is in the sum of RMB21,390,400 (inclusive of VAT), which will be paid in the following manners:

- (a) RMB10,695,200 (inclusive of VAT) will be payable by the Purchaser to the Vendor within one week from the date of the Machinery Purchase Agreement;
- (b) RMB8,556,160 (inclusive of VAT) will be payable by the Purchaser to the Vendor within two months from the date of the Machinery Purchase Agreement;
- (c) RMB1,497,328 (inclusive of VAT) will be payable by the Purchaser to the Vendor upon Final Acceptance; and
- (d) RMB641,712 (inclusive of VAT), being the remaining balance of the Consideration, will be payable by the Purchaser to the Vendor after the warranty period (i.e. one year after the Final Acceptance).

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor to the Machinery Purchase Agreement, taking into account the prevailing market value of similar machinery. The Directors consider that the Consideration is fair and reasonable and the terms of the Machinery Purchase Agreement are on normal commercial terms. It is expected that the Consideration will be funded by the Unutilised Net Proceeds as discussed in the paragraph headed "Change in Use of Net Proceeds" below in this announcement.

Final Acceptance

The Machinery shall be delivered within six months upon the execution of Machinery Purchase Agreement, while the Machinery will then be installed and tested by the Vendor for the Purchaser's final acceptance.

Warranty Period

Pursuant to the Machinery Purchase Agreement, the Machinery is subject to a warranty period of one year after the Final Acceptance. During the warranty period, the Vendor will provide on-site maintenance and repairment services at its own costs.

INFORMATION OF THE GROUP AND THE PURCHASER

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is a PRC-based cigarette packaging paper manufacturer with research and development capabilities to supply customised products to customers. The Purchaser is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE VENDOR

The Vendor is a company established in the PRC with limited liability which is principally engaged in the provision of printing services.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

CHANGE IN USE OF NET PROCEEDS

Reference is made to the Prospectus and the Interim Report 2023. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Prospectus.

The Net Proceeds, of approximately HK\$90.3 million, were originally intended to be applied by the Group for the following purposes:

- (i) approximately HK\$55.4 million, representing approximately 61.3% of the Net Proceeds will be used for expanding the Group's production capacity, production efficiency and product portfolio;
- (ii) approximately HK\$17.6 million, representing approximately 19.5% of the Net Proceeds will be used for enhancing the Group's research and development capabilities;
- (iii) approximately HK\$5.8 million, representing approximately 6.4% of the Net Proceeds will be used for enhancing the Group's enterprise resource planning system and infrastructure system;
- (iv) approximately HK\$2.6 million, representing approximately 2.9% of the Net Proceeds will be used for increasing the Group's marketing efforts; and
- (v) approximately HK\$8.9 million, representing approximately 9.9% of the Net Proceeds will be reserved as the Group's general working capital.

As at the date of this announcement, the Group has utilised approximately HK\$11.3 million of the Net Proceeds for the purposes shown above, while approximately HK\$79.0 million of the Net Proceeds remains unutilised, representing approximately 87.5% of the Net Proceeds.

For reasons set out in the paragraph headed "Reasons for and Benefits of the Acquisition of the Machinery and Change in Use of Net Proceeds" in this announcement, the Board has resolved to change the use of Net Proceeds which were originally allocated for items (i) and (iii) above as follows: (a) approximately 25.4% of the Net Proceeds in an amount of approximately HK\$22.9 million will be re-allocated to acquisition of the Machinery; and (b) approximately 5.4% of the Net Proceeds in an amount of approximately HK\$4.9 million

will be re-allocated to be reserved as general working capital. The utilisation of the Net Proceeds up to the date of this announcement and the proposed use of Unutilised Net Proceeds after reallocation are set out as follows:

	Planned use of Net Proceeds as disclosed in the Prospectus (HK\$'million)	Utilised Net Proceeds as at 30 June 2023 (HK\$'million)	Utilised Net Proceeds up to the date of this announcement (HK\$'million)	Unutilised Net Proceeds up to the date of this announcement (HK\$'million)	Revised allocation of Unutilised Net Proceeds (HK\$'million)	Expected timeline of full utilisation of revised Unutilised Net Proceeds
Expanding the Group's production capacity, production efficiency and product portfolio	55.4	1.3	1.3	54.1	32.0	Before 31 December 2025
Enhancing the Group's research and development capabilities	17.6	—	0.9	16.7	16.7	Before 31 December 2025
Enhancing the Group's enterprise resource planning system and infrastructure system	5.8	0.1	0.1	5.7	—	Not applicable
Increasing the Group's marketing efforts	2.6	0.1	0.1	2.5	2.5	Before 31 December 2025
Acquisition of the Machinery	—	—	—	—	22.9	Upon the Final Acceptance
Reserved as general working capital	8.9	8.9	8.9	—	4.9	Before 31 December 2023
	<u>90.3</u>	<u>10.4</u>	<u>11.3</u>	<u>79.0</u>	<u>79.0</u>	

REASONS FOR AND BENEFITS OF THE ACQUISITION OF THE MACHINERY AND CHANGE IN USE OF NET PROCEEDS

The Group is a PRC-based cigarette packaging paper manufacturer with research and development capabilities to supply customised products to customers. Based on the Group's communication with customers from time to time, some of the Group's customers had enquired the Group for coloured and/or patterned cigarette packaging paper products. In view of such demand from the market, the Group intends to develop and expand its product portfolio by providing coloured and/or patterned cigarette packaging paper, which involves colouring process on the cigarette packaging paper based on the specific requirements of the customers. In order to further expand the Group's product portfolio and seize such

business opportunities, the Group is currently in the process of developing the relevant technical requirements of the colouring process and require necessary machinery for the colour printing process.

After due and careful consideration, the Directors consider the acquisition of the Machinery would be more suitable and appropriate based on the current business environment and development needs of the Group as described above. The Directors are of the view that the terms of the Machinery Purchase Agreement are on normal commercial terms and are fair and reasonable, while the Unutilised Net Proceeds is appropriately adjusted to fund such acquisition which enable the Group to invest its financial resources in a more beneficial and effective way so as to capture potential business opportunities, therefore is in the best interests of the Company and its Shareholders as a whole.

The Directors will continuously assess the plans for the use of the Net Proceeds and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined in the Listing Rules) for the Company in respect of the Machinery Purchase Agreement exceed 5% but are less than 25%, the entering into of the Machinery Purchase Agreement and the transaction contemplated thereunder constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	WEIli Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	the consideration in the amount of RMB21,390,400 (inclusive of VAT) for the acquisition of the Machinery pursuant to the Machinery Purchase Agreement

“Directors”	directors (including the independent non-executive directors) of the Company
“Final Acceptance”	the Machinery shall be delivered within six months upon the execution of Machinery Purchase Agreement, while the Machinery will then be installed and tested by the Vendor for the Purchaser’s final acceptance
“Group”	the Company and its subsidiaries
“Independent Third Parties”	third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Interim Report 2023”	the interim report of the Company for the six months ended 30 June 2023 published on 29 September 2023
“Listing”	listing of the Shares on the Main Board of the Stock Exchange on 30 June 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machinery”	the machinery, which consists of two printing machines and one positioning crosscutting machine for coloured cigarette packaging paper production
“Machinery Purchase Agreement”	the agreement dated 27 October 2023 and entered into between the Vendor and the Purchaser in respect of the acquisition of the Machinery
“Net Proceeds”	the net proceeds from the Listing, after deducting related expenses, of approximately HK\$90.3 million
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 17 June 2022 in relation to the Listing
“Purchaser”	Hubei Qiangda Packaging Industry Company Limited* (湖北強大包裝實業有限公司), a company established in the PRC with limited liability on 8 June 2011 and an indirect wholly-owned subsidiary of our Company
“Shareholders”	holders of the Shares

“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Unutilised Net Proceeds”	the unutilised Net Proceeds of approximately HK\$79.0 million as at the date of this announcement
“VAT”	value added tax of the PRC
“Vendor”	Dangyang Jinsanxia Unicom Printing Limited* (當陽金三峽聯通印務有限公司), a company established in the PRC with limited liabilities. Based on the information available to the Company, the ultimately beneficial owners of the Vendor are Mr. Cai Yacheng* (蔡亞成) and Ms. Wang Xuan* (王旋), who are Independent Third Parties
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *For identification purpose only*

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.07 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate.

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

Hong Kong, 27 October 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.