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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 2022**

#### **INTERIM RESULTS HIGHLIGHTS**

- Revenue decreased by approximately 6.0% to approximately RMB195.5 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB208.0 million).
- Gross profit decreased by approximately 13.7% to approximately RMB43.9 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB50.9 million).
- The Group recorded a profit attributable to shareholders of the Company of approximately RMB20.0 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB24.9 million).
- Basic earnings per share was approximately RMB0.03 for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB0.04).
- The Board has resolved not to recommend the declaration of interim dividend for the six months ended 30 June 2022.

#### **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 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021.

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

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	4	<b>195,529</b>	208,001
Cost of sales	5	<b>(151,641)</b>	(157,135)
<b>Gross profit</b>		<b>43,888</b>	50,866
Selling expenses	5	<b>(4,637)</b>	(4,354)
Administrative expenses	5	<b>(15,313)</b>	(17,000)
Net impairment losses of impairment on financial assets		<b>(679)</b>	(624)
Other income		<b>1,078</b>	653
Other (losses)/gains — net		<b>(747)</b>	7
<b>Operating profit</b>		<b>23,590</b>	29,548
Finance income		<b>264</b>	549
Finance costs		<b>(209)</b>	(545)
Finance income — net		<b>55</b>	4
<b>Profit before income tax</b>		<b>23,645</b>	29,552
Income tax expense	6	<b>(3,679)</b>	(4,687)
<b>Profit for the period</b>		<b>19,966</b>	24,865
<b>Profit attributable to:</b>			
— Shareholders of the Company		<b>19,966</b>	24,865
<b>Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)</b>			
— Basic and diluted earnings per share	7	<b>0.03</b>	0.04

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the period</b>	<b>19,966</b>	24,865
<b>Other comprehensive income</b>	<b>—</b>	—
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>19,966</b>	24,865
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit attributable to:</b>		
— Shareholders of the Company	<b>19,966</b>	24,865
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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		22,769	24,362
Right-of-use assets		3,060	3,119
Intangible assets		129	133
Deferred income tax assets		1,098	993
		27,056	28,607
<b>Current assets</b>			
Inventories		38,903	50,099
Trade receivables	9	155,871	145,076
Prepayments and other receivables	10	89,136	5,106
Restricted cash		26,167	6,260
Cash and cash equivalents		45,925	58,578
		356,002	265,119
<b>Total assets</b>		383,058	293,726
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		6,842	–
Other reserves		167,508	77,183
Retained earnings		43,780	23,814
		218,130	100,997
<b>Total equity</b>		218,130	100,997

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		<u>1,647</u>	<u>1,668</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>149,168</b>	128,258
Bank borrowings		<b>10,011</b>	10,017
Dividends payable		–	37,872
Lease liabilities		<b>22</b>	43
Amounts due to related parties		–	13,051
Current income tax liabilities		<u>4,080</u>	<u>1,820</u>
		<u>163,281</u>	<u>191,061</u>
<b>Total liabilities</b>		<u>164,928</u>	<u>192,729</u>
<b>Total equity and liabilities</b>		<u>383,058</u>	<u>293,726</u>

# 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 Renminbi, unless otherwise stated, and has been approved for issue by the board of directors (the “Board”) of the Company on 29 August 2022.

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 consolidated financial statements included in the Accountant’s Report set forth in Appendix I to the Company’s prospectus dated 17 June 2022 (the “Prospectus”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied to the Interim Financial Information are consistent with those of the consolidated financial statements included in the Accountant’s Report presented in the Prospectus.

**(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 2022:

		<b>Effective for annual years beginning on or after</b>
Amendments to Hong Kong Accounting Standards ("HKAS") 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract'	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to AG 5	Merger Accounting for Common Control Combinations	1 January 2022

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 standard 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 2022 and have not been early adopted by the Group:

		<b>Effective for annual years beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to 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
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 2023 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 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 period ended 30 June 2022 and 2021. An analysis of the Group's revenue as well as timing of revenue recognition is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Goods transferred at point in time		
— Sales of cigarette packaging paper	<b>195,283</b>	207,914
Services transferred over time		
— Processing service income	<b>246</b>	87
	<b>195,529</b>	<b>208,001</b>

Though the Company is incorporated in the Cayman Islands. For the six months ended 30 June 2022, all revenues of the Group were derived from external customers and they were all generated from the PRC (2021: same).

For the six months ended 30 June 2022 and 2021, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
Customer 1	<b>22%</b>	35%
Customer 2	<b>18%</b>	10%
Customer 3	*	19%
Customer 4	<b>21%</b>	13%

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

## 5. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Raw materials and goods used	150,226	157,276
Staff costs	6,179	5,951
Freight charges	2,712	2,264
Utilities	1,898	1,807
Depreciation of property, plant and equipment and right-of-use assets	1,690	1,677
Amortisation of intangible assets	46	64
Travelling and entertainment expenses	1,373	926
Tax surcharges	707	214
Maintenance fees	190	45
Cost of security and cleaning	144	40
Short-term lease expenses	22	30
Listing expenses	6,032	7,579
Miscellaneous expenses	372	616
	<u>171,591</u>	<u>178,489</u>

## 6. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax		
— The PRC current tax	3,784	4,792
Deferred income tax	(105)	(105)
	<u>3,679</u>	<u>4,687</u>

### (a) Cayman Islands and BVI profits tax

The Company is incorporated in the Cayman Islands as an exempted company and is not liable for taxation in the Cayman Islands. The Group'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 Group 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 2022 and 2021.

(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 2022 and 2021.

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 2022 and 2021.

**7. EARNINGS PER SHARE**

(a) **Basic**

Basic earnings per share is calculated by dividing the 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 1000 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to shareholders of the Company ( <i>RMB'000</i> )	<u>19,966</u>	<u>24,865</u>
Weighted average number of ordinary shares for basic earnings per share ( <i>thousand shares</i> )	<u>601,105</u>	<u>600,000</u>
Basic earnings per share ( <i>RMB</i> )	<u><u>0.03</u></u>	<u><u>0.04</u></u>

(b) **Diluted**

Diluted earnings per share for the six months end 30 June 2022 and 2021 are the same as the basic earnings per share.

**8. DIVIDENDS**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Dividends declared	<u><u>–</u></u>	<u><u>37,872</u></u>

The Company did not declare any interim dividend for the six months ended 30 June 2022.

## 9. TRADE RECEIVABLES

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2022</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2021</b> <i>RMB'000</i>
Trade receivables (a)	161,471	149,997
Less: allowance for impairment	<u>(5,600)</u>	<u>(4,921)</u>
Trade receivables — net	<u><u>155,871</u></u>	<u><u>145,076</u></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:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2022</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2021</b> <i>RMB'000</i>
Within 30 days	66,426	66,606
31 to 90 days	59,269	57,017
91 to 180 days	22,737	22,915
181 days to 1 year	13,039	2,823
Over 1 years	<u>–</u>	<u>636</u>
	<u><u>161,471</u></u>	<u><u>149,997</u></u>

## 10. PREPAYMENTS AND OTHER RECEIVABLES

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2022</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2021</b> <i>RMB'000</i>
Other receivables	88,889	1,236
Prepayments for purchase and materials	72	56
Right to the returned goods	189	68
Listing expenses to be capitalised upon the Listing	–	3,461
Prepayments for listing expenses	<u>–</u>	<u>299</u>
	<u><u>89,150</u></u>	<u><u>5,120</u></u>
Less: loss allowance	<u>(14)</u>	<u>(14)</u>
	<u><u>89,136</u></u>	<u><u>5,106</u></u>

## 11. TRADE AND OTHER PAYABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables (a)	<b>93,456</b>	106,627
Bills payable	<b>45,445</b>	12,520
Employee benefits payable	<b>1,278</b>	1,942
Other accrued expenses	<b>1,945</b>	2,564
Refund liabilities	<b>243</b>	86
Other tax payable excluding income tax liabilities	<b>6,801</b>	4,519
	<u><b>149,168</b></u>	<u>128,258</u>

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Up to 30 days	<b>26,503</b>	37,809
31 to 90 days	<b>37,537</b>	44,311
91 to 180 days	<b>20,716</b>	16,138
181 days to 1 year	<b>7,308</b>	6,632
Over 1 year	<b>1,392</b>	1,737
	<u><b>93,456</b></u>	<u>106,627</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 six months ended 30 June 2022, 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 provide cigarette packaging paper processing services to cigarette package manufacturers.

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 entail 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.

However, the Group noted that since July 2022, the operating conditions have become more and more challenging, mainly due to (i) COVID-19 cases found in different regions of the PRC, including Hubei Province and several other regions where the Group's customers are located; and (ii) the power shortage in the PRC due to the recent heatwave and record-breaking high temperatures. 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 and Henan Province. Logistics restrictions were therefore imposed as countermeasures by the local governments. Several districts in Hubei Province, Henan Province and Shanghai, where the Group's customers are located, were affected, resulting in decreased orders from these customers. If the situation continues or worsens, there may be material adverse impact on the Group's revenue and financial performance for the second half of 2022. Also, since mid-July, 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. If the situation continues for a longer period or if the Group is mandatorily required by the local authority to temporarily suspend operation due to power shortage, there may be material adverse impact on the Group's business operation and financial performance.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's overall revenue decreased from approximately RMB208.0 million for the six months ended 30 June 2021 to approximately RMB195.5 million for the Reporting Period, representing a decrease of approximately RMB12.5 million or 6.0%. Such decrease was mainly due to the decrease in the revenue generated from the sales of transfer paper from two of the Group's major customers during the Reporting Period resulting from difference in timing of ordering as compared to the six months ended 30 June 2021.

### **Cost of sales**

The Group's cost of sales decreased from approximately RMB157.1 million for the six months ended 30 June 2021 to approximately RMB151.6 million for the Reporting Period, representing a decrease of approximately RMB5.5 million or 3.5%. Such decrease mainly due to the net effect of (i) the decrease in the Group's revenue of approximately 6.0% for Reporting Period; and (ii) the less than proportional decrease in the raw materials and goods used as compared to the decrease in the overall revenue for the corresponding period; and (iii) the increase in staff costs due to the increase in the number of staff.

### **Gross profit and gross profit margin**

The Group's gross profit decreased from approximately RMB50.9 million for the six months ended 30 June 2021 to approximately RMB43.9 million for the Reporting Period, representing a decrease of approximately RMB7.0 million or 13.7%. Such decrease was mainly due to the decrease in revenue and the less than proportional 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 24.5% for the six months ended 30 June 2021 to approximately 22.4% for the Reporting Period, mainly due to the less than proportional 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.

### **Other income**

The Group's other income increased from approximately RMB0.7 million for the six months ended 30 June 2021 to approximately RMB1.1 million for the Reporting Period which was mainly attributable to (i) the government grants related to income of approximately RMB0.3 million received during the Reporting Period (six months ended 30 June 2021: Nil); and (ii) the increase in income generated from the sales of raw and waste materials of approximately RMB0.2 million.

### **Other (losses)/gains — net**

The Group recorded net gains of approximately RMB7,000 for the six months ended 30 June 2021 and net losses of approximately RMB0.7 million for the Reporting Period, which was mainly attributable to the net effect of (i) the increase in exchange losses of approximately RMB0.7 million; (ii) the bank charges on bills receivable discounted to banks without recourse of approximately RMB0.3 million incurred during the Reporting Period; and (iii) the increase in dividend income from financial assets at fair value through profit or loss of approximately RMB0.2 million.

### **Administrative expenses**

The Group's administrative expenses decreased from approximately RMB17.0 million for the six months ended 30 June 2021 to approximately RMB15.3 million for the Reporting Period mainly due to the decrease in listing expenses.

### **Finance income — net**

The Group's net finance income increased from approximately RMB4,000 for the six months ended 30 June 2021 to approximately RMB0.1 million for the Reporting Period, which was mainly attributable to the net effect of (i) the decrease in interest expenses on bank borrowings; and (ii) the decrease in interest income on bank deposits and restricted cash.

## **Income tax expenses**

The Group's profit before income tax decreased from approximately RMB29.6 million for the six months ended 30 June 2021 to approximately RMB23.6 million for the Reporting Period mainly due to the net effect of (i) decrease in the Group's revenue and gross profit as discussed above and (ii) the decrease in the Group's administrative expenses as discussed above.

The Group's income tax expense decreased from approximately RMB4.7 million for the six months ended 30 June 2021 to approximately RMB3.7 million for the Reporting Period which was mainly due to the decrease in the Group's profit before income tax as discussed above, while the effective tax rate remained relatively stable at approximately 15.9% for the six months ended 30 June 2021 and approximately 15.6% for the Reporting Period.

## **Profit and total comprehensive income**

The profit and total comprehensive income for the Reporting Period of the Group decreased from approximately RMB24.9 million for the six months ended 30 June 2021 to approximately RMB20.0 million for the Reporting Period, representing a decrease of approximately RMB4.9 million or 19.7%. The decrease was primarily attributable to the decrease in the Group's revenue and gross profit.

## **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 2022, 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 2022, the Group had total cash and cash equivalents of approximately RMB45.9 million (31 December 2021: approximately RMB58.6 million).

As at 30 June 2022, the Group had bank borrowing amounting to RMB10.0 million (31 December 2021: RMB10.0 million), which is principally denominated in Renminbi.

The gearing ratio of the Group as at 30 June 2022, calculated as total borrowings (including bank borrowings and finance lease liabilities) divided by the total equity was approximately 4.6% (31 December 2021: approximately 10.0%).

## **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 Renminbi, 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 EXPENDITURE**

During the Reporting Period, the Group incurred capital expenditures of approximately RMB80,000 in the purchase of electronic and other equipment and approximately RMB58,000 in the purchase of machinery, which were financed by internal resources.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 December 2021 and 30 June 2022, the Group did not have any capital commitment.

As at 31 December 2021 and 30 June 2022, 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, the Group did not have any future plan for material investments or capital assets as at 30 June 2022. 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 2021, buildings with net book value of approximately RMB13.2 million were pledged to secure bank borrowings and bills payable of the Group, and leasehold land use right with net book value of approximately RMB3.1 million were pledged to secure bank borrowings and bills payable of the Group.

As at 30 June 2022, buildings with net book value of approximately RMB12.7 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 Renminbi 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.

## USE OF PROCEEDS

The net proceeds from the Listing, after deducting related expenses, were approximately HK\$90.3 million. Up to 30 June 2022, the Company has not yet utilised the net proceeds raised from the Listing (as defined in the Prospectus) in accordance with the designated uses set out in the section headed “Future Plans and Use of Proceeds” to the Prospectus as the shares of the Company were listed on the Stock Exchange on 30 June 2022. Such uses include: (i) expanding the Group’s production capacity, production efficiency and product portfolio; (ii) enhancing the Group’s research and development capabilities; (iii) enhancing the Group’s enterprise resource planning system and infrastructure system; (iv) increasing the Group’s marketing efforts; and (v) reserved as the Group’s general working capital. Details of the use of proceeds are listed as below:

Description	Intended use of proceeds <i>HK\$’ million</i>	Utilised	Unutilised	Expected timeline for utilising the unutilised net proceeds
		amount as at 30 June 2022 <i>HK\$’ million</i>	amount as at 30 June 2022 <i>HK\$’ million</i>	
Expanding the Group’s production capacity, production efficiency and product portfolio	55.4	–	55.4	After 1 July 2024
Enhancing the Group’s research and development capabilities	17.6	–	17.6	After 1 July 2024
Enhancing the Group’s enterprise resource planning system and infrastructure system	5.8	–	5.8	Before 30 June 2024
Increasing the Group’s marketing efforts	2.6	–	2.6	Before 30 June 2023
Reserved as the Group’s general working capital	8.9	–	8.9	Not applicable
Total	<u>90.3</u>	<u>–</u>	<u>90.3</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.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Group had a total of 125 employees, as compared to a total of 114 employees as at 30 June 2021. 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 RMB6.2 million compared to approximately RMB6.0 million for the corresponding period in 2021. 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 2022, 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 period from 30 June 2022 (the "**Listing Date**") 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 since the Listing Date 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 since the Listing Date 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 2022 or at any time during the six months ended 30 June 2022.

## **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 “**Scheme**”). The principal terms of the Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to the Prospectus. No share options have been granted, exercised, cancelled or lapsed under the Scheme since its adoption date and up to the date of this announcement. The Scheme will remain in force for a period of 10 years after the date of adoption.

## **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 2022.

## **CONNECTED AND RELATED PARTY TRANSACTIONS**

The Group had not entered into any connected transaction or continued connected transactions which is required to be disclosed under Chapter 14A of the Listing Rules during the six months ended 30 June 2022 and up to the date of this announcement.

## **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 from the Listing Date 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 2022 and the accounting information given in this announcement has not been audited by the external auditor of the Company but has been reviewed by the Audit Committee of the Company, 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.

The results for the current interim period have been reviewed by the auditor of the Company, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement will be published on the Company's website at [www.weiliholdings.com](http://www.weiliholdings.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2022 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 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.*