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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately 22.0% to approximately RMB289.0 million for year ended 31 December 2022 (2021: approximately RMB370.3 million).
- Gross profit decreased by approximately 26.2% to approximately RMB60.4 million for the year ended 31 December 2022 (2021: approximately RMB81.8 million).
- The Group recorded a profit attributable to shareholders of the Company of approximately RMB25.0 million for the year ended 31 December 2022 (2021: approximately RMB35.7 million).
- Basic earnings per share was approximately RMB3.6 cents for the year ended 31 December 2022 (2021: approximately RMB5.9 cents).
- The Board has resolved not to recommend the declaration of final dividend for the year ended 31 December 2022.

## AUDITED ANNUAL RESULTS

The board (the “**Board**”) of Directors (the “**Directors**”) is pleased to announce the audited consolidated financial results of WElli Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 (the “**Year**” or “**FY2022**”) together with the comparative audited figures for the year ended 31 December 2021 (“**FY2021**”).

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	3	288,962	370,311
Cost of sales	4	<u>(228,522)</u>	<u>(288,522)</u>
<b>Gross profit</b>		<b>60,440</b>	81,789
Selling expenses	4	(9,107)	(10,123)
Administrative expenses	4	(29,966)	(32,389)
Reversal of loss allowance on financial assets, net		934	474
Other income	5	5,317	1,972
Other gains — net		<u>434</u>	<u>100</u>
<b>Operating profit</b>		<b>28,052</b>	41,823
Finance income		1,161	1,070
Finance costs		(223)	(825)
Finance income — net		<u>938</u>	<u>245</u>
<b>Profit before income tax</b>		<b>28,990</b>	42,068
Income tax expense	6	<u>(4,038)</u>	<u>(6,381)</u>
<b>Profit for the year</b>		<b><u>24,952</u></b>	<u>35,687</u>
<b>Profit attributable to:</b>			
Shareholders of the Company		<u><u>24,952</u></u>	<u><u>35,687</u></u>
<b>Earnings per share for profit attributable to shareholders of the Company for the year</b>		<b>24,952</b>	35,687
Basic and diluted (RMB)	7	<u><u>3.6 cents</u></u>	<u><u>5.9 cents</u></u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 DECEMBER 2022*

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
<b>Profit for the year</b>	<u><b>24,952</b></u>	<u>35,687</u>
<b>Other comprehensive income</b>	<u>–</u>	<u>–</u>
<b>Total comprehensive income for the year</b>	<u><b>24,952</b></u>	<u>35,687</u>
<b>Attributable to:</b>		
Shareholders of the Company	<u><b>24,952</b></u>	<u>35,687</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	21,214	24,362
Right-of-use assets		2,999	3,119
Intangible assets		116	133
Deferred income tax assets		852	993
Prepayment		580	–
		<u>25,761</u>	<u>28,607</u>
<b>Current assets</b>			
Inventories	10	55,718	50,099
Trade receivables	11	107,403	145,076
Bills receivable		8,485	–
Prepayments and other receivables		3,613	5,106
Restricted cash		11,512	6,260
Cash and cash equivalents		110,280	58,578
		<u>297,011</u>	<u>265,119</u>
<b>Total assets</b>		<u><u>322,772</u></u>	<u><u>293,726</u></u>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		6,842	–
Other reserves		169,827	77,183
Retained earnings		46,101	23,814
<b>Total equity</b>		<u>222,770</u>	<u>100,997</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		1,626	1,668

		<b>As at 31 December</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current liabilities</b>			
Trade and other payables	12	<b>95,762</b>	128,258
Bank borrowings		–	10,017
Dividends payable		–	37,872
Lease liabilities		–	43
Amounts due to related parties		–	13,051
Current income tax liabilities		<b>2,614</b>	1,820
		<b>98,376</b>	191,061
<b>Total liabilities</b>		<b>100,002</b>	192,729
<b>Total equity and liabilities</b>		<b>322,772</b>	293,726
<b>Net current assets</b>		<b>198,635</b>	74,058

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 GENERAL INFORMATION AND REORGANISATION

#### 1.1 General information

WElli 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 (the “Listing Business”) in the People’s Republic of China (the “PRC”).

The directors consider City Ease Limited (“City Ease”), a company incorporated in the British Virgin Islands (the “BVI”), as the ultimate holding company of the Group and Mr. Chen Weizhuang (“Mr. Chen” or the “Controlling Shareholder”) as the ultimate controlling shareholder of the Company.

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

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

These consolidated financial statements were approved for issue by the board of directors (the “Board”) of the Company on 28 March 2023.

#### 1.2 Reorganisation

Prior to the Reorganisation (as defined below), the Listing Business was operated by Hubei Qiangda Packaging Industry Co., Ltd. (“Hubei Qiangda”), a limited liability company incorporated in the PRC. Hubei Qiangda was owned by the following persons prior to the Reorganisation and their respective percentage of interest is as follows:

Name of shareholders	Equity interest in %
Mr. Chen	56.5%
Mr. Yu Tianbing (“Mr. Yu”)	16.0%
Mr. Hu Haoran (“Mr. Hu”)	11.0%
Mr. Wu Bo (“Mr. Wu”)	7.0%
Mr. Lu Shunhe (“Mr. Lu”)	5.5%
Mr. Lin Huan (“Mr. Lin”)	4.0%
	<hr/>
	100.0%

In preparation for the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation (the “Reorganisation”) to establish the Company as the ultimate holding company of the Listing Business. Details of the Reorganisation are set out below:

### ***1.2.1 Incorporation of City Ease, Yong Ning Limited (“Yong Ning”) and Enlighten East Limited (“Enlighten East”)***

On 31 March 2021, City Ease was incorporated in the BVI with limited liability. On 16 April 2021, City Ease allotted and issued 1 share with a par value of United States Dollars (“USD”) 1 as fully paid to Mr. Chen. City Ease then became wholly-owned by Mr. Chen.

On 4 January 2021, Yong Ning was incorporated in the BVI with limited liability. On 16 April 2021, Yong Ning allotted and issued 1 share with a par value of USD1 as fully paid to Mr. Yu. Yong Ning then became wholly-owned by Mr. Yu.

On 8 December 2020, Enlighten East was incorporated in the BVI with limited liability. On 16 April 2021, Enlighten East allotted and issued 3,266 shares, 2,857 shares, 2,244 shares and 1,633 shares with a par value of USD 1 each as fully paid to Mr. Hu, Mr. Wu, Mr. Lu and Mr. Lin, respectively, and all the issued shares of Enlighten East were owned as to 32.66% by Mr. Hu, 28.57% by Mr. Wu, 22.44% by Mr. Lu and 16.33% by Mr. Lin, respectively.

### ***1.2.2 Incorporation of the Company***

On 21 April 2021, the Company was incorporated in the Cayman Islands with one subscriber share allotted and issued. On the same date, the subscriber share of the Company was transferred to City Ease for a consideration of Hong Kong dollar (“HKD”) 0.01, and the Company further allotted and issued 564 shares, 160 shares and 245 shares as fully paid to City Ease, Yong Ning and Enlighten East, respectively. After such allotment and issue of shares, the Company was owned as to approximately 58.25% by City Ease, 16.49% by Yong Ning and 25.26% by Enlighten East.

### ***1.2.3 Incorporation of an offshore subsidiary in the BVI***

On 29 March 2021, Shengxi Global Limited (“Shengxi Global”) was incorporated in the BVI. On 23 April 2021, Shengxi Global allotted and issued 1 share with a par value of USD 1, credited as fully paid to the Company. Shengxi Global then became a wholly-owned subsidiary of the Company.

### ***1.2.4 Incorporation of an offshore subsidiary in Hong Kong***

On 30 April 2021, Hong Kong WEIli Holdings Limited (“Hong Kong WEIli”) was incorporated in Hong Kong. On the same date, Hong Kong WEIli allotted and issued 1 share as fully paid to Shengxi Global. Hong Kong WEIli then became a wholly-owned subsidiary of Shengxi Global.

### ***1.2.5 Acquisition of equity interest in Hubei Qiangda by Mr. Lam Wing Chak Victor (the “Pre-IPO Investor” or “Mr. Lam”)***

On 12 April 2021, Mr. Hu and the Pre-IPO Investor entered into an equity transfer agreement, pursuant to which, the Pre-IPO Investor agreed to acquire 3.00% of equity interest in Hubei Qiangda from Mr. Hu at a consideration of RMB3,927,000. The consideration was agreed by the parties after arm length commercial negotiation. Upon completion of the transfer, Hubei Qiangda became a foreign-invested enterprise, and its shares were owned as to 56.5% by Mr. Chen, 16% by Mr. Yu, 8% by Mr. Hu, 7% by Mr. Wu, 5.5% by Mr. Lu, 4% by Mr. Lin and 3% by the Pre-IPO Investor.

### ***1.2.6 Acquisition of all equity interest of Hubei Qiangda by Hong Kong WElli***

On 6 May 2021, Hong Kong WElli acquired all equity interest of Hubei Qiangda from Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu, Mr. Lin and Mr. Lam, respectively, at an aggregate consideration of RMB77,000,000. The considerations were determined by taking into account the valuation of Hubei Qiangda as at 31 December 2020 prepared by an independent valuer. The considerations to Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu and Mr. Lin were settled in cash and the consideration to Mr. Lam was settled by the Company allotting and issuing 30 shares with a par value of HKD0.01 each of the Company, credited as fully paid, to Mr. Lam.

Upon the completion of the Reorganisation on 6 May 2021, the Company became the holding company of the companies now comprising the Group.

## **1.3 Basis of presentation**

Immediately prior to and after the Reorganisation, the Listing Business is mainly conducted through Hubei Qiangda under the control of Mr. Chen. Pursuant to the Reorganisation, Hubei Qiangda and the Listing Business are transferred to and held by a subsidiary newly set up by the Company.

The Company and its newly set up subsidiaries had not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate controlling shareholder of the Listing Business remains the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Hubei Qiangda and, the consolidated financial statements have been prepared and presented as a continuation of the Listing Business conducted through Hubei Qiangda, with assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.



## 2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) are set out below. The consolidated financial statements has been prepared under the historical cost convention, as modified by the financial assets measured at fair value through other comprehensive income (“FVOCI”) and financial assets at FVPL which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### 2.1 Amendments to existing standards and improvements adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 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.

## 2.2 New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been published but are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		<b>Effective for annual years beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	1 January 2023
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

Management is in the process of making an assessment of the impact of the above new standard, amendments to standard and interpretation and considered that these new standard, amendments to standard and interpretation will not result in any substantial changes to the Group's existing accounting policies and presentation of the consolidated financial statements of the Group.

### 3 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 the reporting period. An analysis of the Group’s revenue as well as timing of revenue recognition is as follows:

	Year ended 31 December	
	2022	2021
	RMB’000	RMB’000
Goods transferred at point in time		
— Sales of cigarette packaging paper and raw materials	288,726	370,224
Services transferred over time		
— Processing service income	236	87
	<u>288,962</u>	<u>370,311</u>

During the years ended 31 December 2022 and 2021, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Year ended 31 December	
	2022	2021
	RMB’000	RMB’000
Customer A	20%	25%
Customer B	15%	12%
Customer C	*	15%
Customer D	21%	14%

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

#### Unsatisfied performance obligation

The Group does not disclose information about remaining performance obligations as their original expected duration is less than one year as permitted under the practical expedient in accordance with HKFRS 15.

#### 4 EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses and administrative expenses were analysed as follow:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials and goods used	226,471	287,335
Staff costs	13,677	12,140
Listing expenses	7,071	12,700
Freight charges	4,110	5,302
Depreciation of property, plant and equipment and right-of-use assets ( <i>Note 9</i> )	3,332	3,337
Amortisation of intangible assets	59	125
Utilities	3,368	4,265
Travelling and entertainment expenses	3,745	2,990
Auditors' remuneration		
— Audit services	1,606	—
Tax surcharges	982	965
Professional service fees	871	117
Office expense	838	439
Maintenance fees	580	368
Cost of security and cleaning	211	130
Short-term lease expenses	—	30
Miscellaneous expenses	674	791
	<u>267,595</u>	<u>331,034</u>

Research and development expenses are included in “administrative expenses”. Amounts incurred during the year are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Research and development expenses	<u>12,045</u>	<u>13,115</u>

## 5 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants related to income (a)	5,135	242
Sales of raw and waste materials, net	–	1,561
Amortisation of deferred income (b)	42	42
Others	140	127
	<u>5,317</u>	<u>1,972</u>

- (a) Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the expenses that they are intended to compensate. The government grants related to income have been received were mainly to reward for the contribution to the local economic growth.
- (b) Government grants relating to the purchase of land use right are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related asset.

## 6 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax		
— The PRC income tax	3,897	6,313
Deferred income tax	141	68
	<u>4,038</u>	<u>6,381</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**

Subsidiary incorporated in Hong Kong is subject to Hong Kong 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 year.

**(c) The PRC withholding tax**

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The applicable withholding tax rates of the group company in Hong Kong is 10% after the Reorganisation (Note 1.2).

**(d) 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 for each of the reporting period.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 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 reporting periods.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

	Year ended 31 December	
	2022	2021
Profit attributable to shareholders of the Company ( <i>RMB'000</i> )	24,952	35,687
Weighted average number of ordinary shares in issue ( <i>thousand</i> ) ( <i>Note</i> )	<u>700,822</u>	<u>600,000</u>
Basic earnings per share ( <i>in RMB</i> )	<u><u>3.6 cents</u></u>	<u><u>5.9 cents</u></u>

*Note:* 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) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2022 and 2021 are the same as basic earnings per share.

## 8 DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Dividends during the years ended 31 December 2022 and 2021 represented dividends declared by the company or the companies now comprising the Group to the then shareholders of the companies for the years ended 31 December 2022 and 2021. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared	<u><u>-</u></u>	<u><u>37,872</u></u>

## 9 PROPERTY, PLANT AND EQUIPMENT

	<b>Buildings</b> <i>RMB'000</i>	<b>Machinery</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Electronic and other equipments</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At 1 January 2021</b>					
Cost	19,036	17,756	480	1,462	38,734
Accumulated depreciation	<u>(4,737)</u>	<u>(5,563)</u>	<u>(228)</u>	<u>(878)</u>	<u>(11,406)</u>
<b>Net book amount</b>	<u><u>14,299</u></u>	<u><u>12,193</u></u>	<u><u>252</u></u>	<u><u>584</u></u>	<u><u>27,328</u></u>
<b>Year ended 31 December 2021</b>					
Opening net book amount	14,299	12,193	252	584	27,328
Additions	–	1,174	22	67	1,263
Disposals	–	(1,000)	–	–	(1,000)
Depreciation	<u>(1,099)</u>	<u>(1,779)</u>	<u>(106)</u>	<u>(245)</u>	<u>(3,229)</u>
<b>Closing net book amount</b>	<u>13,200</u>	<u>10,588</u>	<u>168</u>	<u>406</u>	<u>24,362</u>
<b>At 31 December 2021</b>					
Cost	19,036	17,930	502	1,512	38,980
Accumulated depreciation	<u>(5,836)</u>	<u>(7,342)</u>	<u>(334)</u>	<u>(1,106)</u>	<u>(14,618)</u>
<b>Net book amount</b>	<u><u>13,200</u></u>	<u><u>10,588</u></u>	<u><u>168</u></u>	<u><u>406</u></u>	<u><u>24,362</u></u>
<b>Year ended 31 December 2022</b>					
Opening net book amount	<b>13,200</b>	<b>10,588</b>	<b>168</b>	<b>406</b>	<b>24,362</b>
Additions	–	15	–	49	64
Depreciation	<u>(1,100)</u>	<u>(1,787)</u>	<u>(106)</u>	<u>(219)</u>	<u>(3,212)</u>
<b>Closing net book amount</b>	<u><b>12,100</b></u>	<u><b>8,816</b></u>	<u><b>62</b></u>	<u><b>236</b></u>	<u><b>21,214</b></u>
<b>At 31 December 2022</b>					
Cost	<b>19,036</b>	<b>17,945</b>	<b>502</b>	<b>1,561</b>	<b>39,044</b>
Accumulated depreciation	<u><b>(6,936)</b></u>	<u><b>(9,129)</b></u>	<u><b>(440)</b></u>	<u><b>(1,325)</b></u>	<u><b>(17,830)</b></u>
<b>Net book amount</b>	<u><u><b>12,100</b></u></u>	<u><u><b>8,816</b></u></u>	<u><u><b>62</b></u></u>	<u><u><b>236</b></u></u>	<u><u><b>21,214</b></u></u>



## 10 INVENTORIES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	23,667	13,506
Finished goods	31,820	36,315
Packaging materials and others	231	278
	<u>55,718</u>	<u>50,099</u>

### (a) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs.

Cost of inventories included in cost of sales and research and development expenses during the years ended 31 December 2022 and 2021 were as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	227,756	287,843
Research and development expenses	9,557	10,787
	<u>237,313</u>	<u>298,630</u>

### (b) Amounts recognised in consolidated income statement

No write-down of inventories to net realisable value was recognised for the year ended 31 December 2022 and 2021.

## 11 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	111,346	149,997
Less: loss allowance	(3,943)	(4,921)
	<u>107,403</u>	<u>145,076</u>

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 during the year. The ageing analysis of trade receivables based on invoice date was as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 30 days	<b>34,879</b>	66,606
31 to 90 days	<b>19,319</b>	57,017
91 to 180 days	<b>39,618</b>	22,915
181 days to 1 year	<b>16,353</b>	2,823
Over 1 years	<b>1,177</b>	636
	<b>111,346</b>	149,997

## 12 TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<b>62,221</b>	106,627
Bills payable	<b>23,023</b>	12,520
Employee benefits payable	<b>2,856</b>	1,942
Other accrued expenses	<b>3,331</b>	2,564
Refund liabilities	<b>271</b>	86
Other tax payable excluding income tax liabilities	<b>4,060</b>	4,519
	<b>95,762</b>	128,258

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

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Up to 30 days	<b>26,042</b>	37,809
31 to 90 days	<b>23,028</b>	44,311
91 to 180 days	<b>8,965</b>	16,138
181 days to 1 year	<b>3,869</b>	6,632
Over 1 year	<b>317</b>	1,737
	<b>62,221</b>	106,627

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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 Year, 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 FY2022, 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.

The Group noted that since July 2022, the operating conditions have become more and more challenging, mainly due to (i) the power shortage in Hubei Province owing to heatwaves and record-breaking high temperatures during the third quarter of 2022; (ii) COVID-19 cases found in different regions of the PRC, including Hubei Province and several other regions where the Group's customers are located since mid-July 2022; and (iii) some of the Group's major customers have lost tenders or were awarded tenders with less volume from their customers during the second half of 2022.

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.

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.

Since the second half of 2022, some of the Group's major customers have lost their tenders or were awarded tenders with less volume in respect of certain cigarette brands from their customers, which are mainly cigarette manufacturers. It resulted in reduced orders from such customers to the Group in respect of such affected cigarette brands.

The aforementioned factors have caused material adverse impact on the Group's revenue and financial performance for the second half of 2022.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's overall revenue decreased from approximately RMB370.3 million for FY2021 to approximately RMB289.0 million for FY2022, representing a decrease of approximately RMB81.3 million or 22.0%. Such decrease was mainly due to (i) the power shortage in Hubei Province occurred during the third quarter of 2022; (ii) the countermeasures to COVID-19 imposed by the local government in several regions in the PRC occurred since mid-July 2022; and (iii) the Group's customers experienced a loss of tender and/or decrease in sales volume during the second half of 2022.

### **Cost of sales**

The Group's cost of sales decreased from approximately RMB288.5 million for FY2021 to approximately RMB228.5 million for FY2022, representing a decrease of approximately RMB60.0 million or 20.8%. Such decrease was mainly due to the net effect of (i) the decrease in the Group's revenue of approximately 22.0% for FY2022; and (ii) the increase in staff costs.

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

The Group's gross profit decreased from approximately RMB81.8 million for FY2021 to approximately RMB60.4 million for FY2022, representing a decrease of approximately RMB21.4 million or 26.2%, while the Group's gross profit margin decreased from approximately 22.1% for FY2021 to approximately 20.9% for FY2022. 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.

## **Selling expenses**

The Group's selling expenses decreased from approximately RMB10.1 million for FY2021 to approximately RMB9.1 million for FY2022 mainly due to the decrease in freight charges as a result of decrease in sales volume in FY2022.

## **Administrative expenses**

The Group's administrative expenses decreased from approximately RMB32.4 million for FY2021 to approximately RMB30.0 million for FY2022 mainly due to the net effect of (i) the decrease in listing expenses by approximately RMB5.6 million; and (ii) the increase of professional service fees after the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**") during FY2022.

## **Reversal of loss allowance on financial assets, net**

We recorded reversal of loss allowance on financial assets, net of approximately RMB0.5 million for FY2021 and approximately RMB0.9 million for FY2022 mainly due to the decrease in the gross carrying amount of our trade receivables.

## **Other income**

The Group's other income increased from approximately RMB2.0 million for FY2021 to approximately RMB5.3 million for FY2022 which was mainly due to the net effect of (i) the increase in government grants related to income by approximately RMB4.9 million; and (ii) the decrease in income generated from the sales of raw and waste materials by approximately RMB1.6 million.

## **Other gains — net**

The Group recorded net gains of approximately RMB0.1 million for FY2021 and net gains of approximately RMB0.4 million for FY2022, such increase was mainly attributable to the increase in exchange gains by approximately RMB0.3 million.

## **Finance income — net**

The Group's net finance income increased from approximately RMB0.2 million for FY2021 to approximately RMB0.9 million for FY2022, which was mainly attributable to the combined effect of (i) the decrease in interest expenses on bank borrowings by approximately RMB0.6 million; and (ii) the increase in interest income on bank deposits and restricted cash by approximately RMB0.1 million.

## **Income tax expenses**

The Group's income tax expense decreased from approximately RMB6.4 million for FY2021 to approximately RMB4.0 million for FY2022 which was mainly due to the decrease in the Group's profit before income tax as discussed above, while the effective tax rate was approximately 15.2% for FY2021 and approximately 13.9% for FY2022. Despite the decrease in profit before income tax for FY2022, the super deduction for research and development expenses remained relatively stable at approximately RMB1.8 million for FY2022 (FY2021: approximately RMB2.0 million), resulting in the relatively lower effective tax rate for FY2022.

## **Profit and total comprehensive income**

The Group's profit and total comprehensive income decreased from approximately RMB35.7 million for FY2021 to approximately RMB25.0 million for FY2022, representing a decrease of approximately RMB10.7 million or 30.0%. The decrease 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 31 December 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 31 December 2022, the Group had total cash and cash equivalents of approximately RMB110.3 million (31 December 2021: approximately RMB58.6 million).

As at 31 December 2022, the Group did not have bank borrowings (31 December 2021: RMB10.0 million, principally denominated in RMB).

The gearing ratio of the Group as at 31 December 2022, calculated as total borrowings (including bank borrowings and finance lease liabilities) divided by the total equity was zero (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 RMB, which is the functional currency of the Group's principal operating subsidiaries. However, the Group retains certain proceeds from 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 FY2022.

## **CAPITAL EXPENDITURE**

During FY2022, the Group incurred capital expenditures of approximately RMB0.7 million (FY2021: approximately RMB1.3 million), primarily due to purchases of property, plant and equipment and intangible assets.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 December 2022, the Group had capital commitment of approximately RMB0.5 million (31 December 2021: Nil).

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save for the business plans as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus dated 17 June 2022 (the “**Prospectus**”), the Group did not have any future plan for material investments or capital assets as at 31 December 2022. For details, please refer to the section headed “Use of Proceeds” in this announcement.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES OR JOINT VENTURES**

The Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associates or joint ventures during FY2022.

## **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 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.

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.

## **FINAL DIVIDEND**

The Board has resolved not to recommend the declaration of final dividend for FY2022. Dividends declared by the Company or the companies new comprising the Group to the then shareholders of the companies for FY2021 were approximately RMB37.9 million.



## 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 net proceeds from the Listing Date up to 31 December 2022 is set out below:

<b>Description</b>	<b>Intended use of net proceeds HK\$' million</b>	<b>Utilised amount since the Listing Date and up to 31 December 2022 HK\$' million</b>	<b>Unutilised amount as at 31 December 2022 HK\$' million</b>	<b>Expected timeline for utilising the unutilised net proceeds</b>
Expanding the Group's production capacity, production efficiency and product portfolio	55.4	0.7	54.7	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
<b>Total</b>	<u>90.3</u>	<u>9.6</u>	<u>80.7</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 31 December 2022, the Group had a total of 117 employees, as compared to a total of 123 employees as at 31 December 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 FY2022 was approximately RMB13.7 million compared to approximately RMB12.1 million for FY2021. 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 FY2021 and FY2022, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

## **FUTURE PROSPECTS**

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. We will continue to adapt, optimise and manage our resources prudently to seize business opportunities which are beneficial to the long-term growth of the Group. We will continue draw on our expertise and experience to devise effective strategies to increase our market share.

## **EVENTS AFTER 31 DECEMBER 2022**

There is no material subsequent event requiring disclosure that has taken place after 31 December 2022 and up 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 Part 2 of Appendix 14 to the Listing Rules. During 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 BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as 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 31 December 2022.

## **BOARD OF DIRECTORS**

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of Directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

## **AUDIT COMMITTEE**

The Company has established the audit committee (the “**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.

The Group’s annual results for FY2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the annual results for FY2022 comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the Year.

## **ANNUAL GENERAL MEETING (“AGM”) AND CLOSURE OF REGISTER OF MEMBERS**

The forthcoming AGM is scheduled to be held on Monday, 29 May 2023. A notice convening the AGM will be issued and despatched to the shareholders of the Company according to the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

The register of members of the Company will be closed from Wednesday, 24 May 2023 to Monday, 29 May 2023 (both days inclusive), during which period no transfer of shares of the Company may be effected for the purpose of determining the Shareholders who are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificate(s) should be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Tuesday, 23 May 2023.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Since the Listing date and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is 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 2022 annual report of the Company will be despatched to the shareholders of the Company and made available on the above websites.

## **SCOPE OF WORK OF THE COMPANY'S AUDITOR**

The figures in respect of the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the Year of the Group as set out in the announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

## **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 Year.

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

Hong Kong, 28 March 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 non-executive Director, and Mr. Liu Yimin, Mr. Chen Yeung Tak and Ms. Feng Yuan as independent non-executive Directors.*