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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 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 33.9% to approximately RMB190.9 million for year ended 31 December 2023 (2022: approximately RMB289.0 million).
- Gross profit decreased by approximately 70.9% to approximately RMB17.6 million for the year ended 31 December 2023 (2022: approximately RMB60.4 million).
- The Group recorded a loss attributable to shareholders of the Company of approximately RMB2.6 million for the year ended 31 December 2023 (2022: profit attributable to shareholders of the Company of approximately RMB25.0 million).
- Basic loss per share was approximately RMB0.3 cents for the year ended 31 December 2023 (2022: basic earnings per share of approximately RMB3.6 cents).
- The Board has resolved not to recommend the declaration of final dividend for the year ended 31 December 2023.

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 2023 (the “**Year**” or “**FY2023**”) together with the comparative figures for the year ended 31 December 2022 (“**FY2022**”).

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	3	190,944	288,962
Cost of sales	4	(173,347)	(228,522)
Gross profit		17,597	60,440
Selling expenses	4	(8,215)	(9,107)
Administrative expenses	4	(17,682)	(29,966)
(Provision for)/reversal of loss allowance on financial assets, net		(1,996)	934
Other income	5	5,168	5,317
Other gains — net		194	434
Operating (loss)/profit		(4,934)	28,052
Finance income		1,614	1,161
Finance costs		(574)	(223)
Finance income — net		1,040	938
(Loss)/Profit before income tax		(3,894)	28,990
Income tax credit/(expense)	6	1,334	(4,038)
(Loss)/Profit for the year		(2,560)	24,952
(Loss)/Profit attributable to:			
Shareholders of the Company		(2,560)	24,952
(Loss)/Earnings per share for profit attributable to shareholders of the Company for the year		(2,560)	24,952
Basic and diluted (RMB)	7	(0.3) cents	3.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/Profit for the year	<u>(2,560)</u>	<u>24,952</u>
Other comprehensive income	<u>–</u>	<u>–</u>
Total comprehensive (loss)/income for the year	<u>(2,560)</u>	<u>24,952</u>
Attributable to:		
Shareholders of the Company	<u>(2,560)</u>	<u>24,952</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		As at 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	21,941	21,214
Right-of-use assets		2,923	2,999
Intangible assets		94	116
Deferred income tax assets		1,836	852
Prepayment	10	19,251	580
		<u>46,045</u>	<u>25,761</u>
Current assets			
Inventories	11	57,726	55,718
Trade receivables	12	131,766	107,403
Bills receivable		17,989	8,485
Prepayments and other receivables		2,998	3,613
Restricted cash		13,489	11,512
Cash and cash equivalents		95,123	110,280
		<u>319,091</u>	<u>297,011</u>
Total assets		<u>365,136</u>	<u>322,772</u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital		6,842	6,842
Other reserves		169,866	169,827
Retained earnings		43,502	46,101
Total equity		<u>220,210</u>	<u>222,770</u>

		As at 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		<u>1,584</u>	<u>1,626</u>
Current liabilities			
Trade and other payables	<i>13</i>	112,991	95,762
Bank borrowings		30,000	–
Current income tax liabilities		<u>351</u>	<u>2,614</u>
		<u>143,342</u>	<u>98,376</u>
Total liabilities		<u><u>144,926</u></u>	<u><u>100,002</u></u>
Total equity and liabilities		<u><u>365,136</u></u>	<u><u>322,772</u></u>
Net current assets		<u><u>175,749</u></u>	<u><u>198,635</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 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”) 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 2024.

2 BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

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.

2.1.1 New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 January 2023:

		Effective for annual years beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to 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

The adoption of the new and amended standards does not have any significant impact to the results and financial position of the Group.

2.1.2 Amendments to standards and new interpretation not yet adopted

The following amendments to standards and new interpretation have been published but are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments or new interpretation are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual years beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKAS 1 Amendment to HKAS 16	Non-current Liabilities with Covenants Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	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 amendments to standards and new interpretation and considered that these amendments to standards and new 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.

2.1.3 Accounting policies

The material accounting policies applied in the preparation of the financial information has been consistently applied to all the years and periods presented, unless otherwise stated.

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	
	2023	2022
	RMB’000	RMB’000
Goods transferred at point in time		
— Sales of cigarette packaging paper and raw materials	190,752	288,726
Services transferred over time		
— Processing service income	192	236
	<u>190,944</u>	<u>288,962</u>

During the years ended 31 December 2023 and 2022, revenue derived from customers who accounted for more than 10% of total revenue were set out below.

	Year ended 31 December	
	2023	2022
	RMB’000	RMB’000
Customer A	23%	*
Customer B	19%	*
Customer C	12%	15%
Customer D	*	21%
Customer E	*	20%

* 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and goods used	166,123	226,471
Staff costs	12,391	13,677
Freight charges	3,742	4,110
Depreciation of property, plant and equipment and right-of-use assets	3,071	3,332
Travelling and entertainment expenses	3,417	3,745
Utilities	3,277	3,368
Professional service fees	1,472	871
Office expense	1,470	838
Auditors' remuneration		
— Audit services	1,100	1,606
Provision for impairment for inventories	791	—
Maintenance fees	572	580
Tax surcharges	326	982
Cost of security and cleaning	258	211
Short-term lease expenses	170	—
Amortisation of intangible assets	22	59
Listing expenses	—	7,071
Miscellaneous expenses	1,042	674
	199,244	267,595

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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Research and development expenses	7,267	12,045

5 OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants related to income (a)	3,821	5,135
Amortisation of deferred income (b)	42	42
Others	1,305	140
	<u>5,168</u>	<u>5,317</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 (CREDIT)/EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax		
— The PRC income tax	(350)	3,897
Deferred income tax	(984)	141
	<u>(1,334)</u>	<u>4,038</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%.

(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 the year ended 31 December 2023 (2022: same).

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 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earning per share

	Year ended 31 December	
	2023	2022
(Loss)/Profit attributable to shareholders of the Company (<i>RMB'000</i>)	(2,560)	24,952
Weighted average number of ordinary shares in issue (<i>thousand</i>) (<i>Note</i>)	800,000	700,822
Basic (loss)/earnings per share (<i>in RMB</i>)	<u>(0.3) cents</u>	<u>3.6 cents</u>

Note: Basic (loss)/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 (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 December 2023 and 2022 are the same as basic (loss)/earnings per share.

8 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2023 (2022: same).

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Motor vehicles	Electronic and other equipments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022					
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>
Net book amount	<u>13,200</u>	<u>10,588</u>	<u>168</u>	<u>406</u>	<u>24,362</u>
Year ended 31 December 2022					
Opening net book amount	13,200	10,588	168	406	24,362
Additions	–	15	–	49	64
Depreciation	<u>(1,100)</u>	<u>(1,787)</u>	<u>(106)</u>	<u>(219)</u>	<u>(3,212)</u>
Closing net book amount	<u>12,100</u>	<u>8,816</u>	<u>62</u>	<u>236</u>	<u>21,214</u>
At 31 December 2022					
Cost	19,036	17,945	502	1,561	39,044
Accumulated depreciation	<u>(6,936)</u>	<u>(9,129)</u>	<u>(440)</u>	<u>(1,325)</u>	<u>(17,830)</u>
Net book amount	<u>12,100</u>	<u>8,816</u>	<u>62</u>	<u>236</u>	<u>21,214</u>
Year ended 31 December 2023					
Opening net book amount	12,100	8,816	62	236	21,214
Additions	1,820	1,551	251	127	3,749
Depreciation	(1,103)	(1,680)	(96)	(116)	(2,995)
Disposals	<u>–</u>	<u>(27)</u>	<u>–</u>	<u>–</u>	<u>(27)</u>
Closing net book amount	<u>12,817</u>	<u>8,660</u>	<u>217</u>	<u>247</u>	<u>21,941</u>
At 31 December 2023					
Cost	20,837	19,286	753	1,317	42,193
Accumulated depreciation	<u>(8,020)</u>	<u>(10,626)</u>	<u>(536)</u>	<u>(1,070)</u>	<u>(20,252)</u>
Net book amount	<u>12,817</u>	<u>8,660</u>	<u>217</u>	<u>247</u>	<u>21,941</u>

10 PREPAYMENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Included in non-current asset		
Prepayment for equipment (a)	<u>19,251</u>	<u>580</u>

- (a) A purchase agreement has been entered by the Group and a third-party vendor on 27 October 2023 with a total consideration of RMB21,390,400 for two printing machines and one set of positioning crosscutting machine for coloured cigarette packaging paper production, which shall be delivered in six months after the contract signing date. Down payment of RMB19,251,000 was paid as at 31 December 2023.

11 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	37,461	23,667
Finished goods	20,965	31,820
Packaging materials and others	<u>91</u>	<u>231</u>
	58,517	55,718
Less: provisions for inventories	<u>(791)</u>	<u>–</u>
	<u>57,726</u>	<u>55,718</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 2023 and 2022 were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of sales	169,245	227,756
Research and development expenses	<u>4,765</u>	<u>9,557</u>
	<u>174,010</u>	<u>237,313</u>

(b) Amounts recognised in consolidated income statement

Write-downs of inventories to net realisable value amounted to RMB791,000 (2022: nil). These were recognised as an expense during the year ended 31 December 2023 and included in ‘cost of sales’ in the statement of profit or loss.

12 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables (a)	137,694	111,346
Less: loss allowance	(5,928)	(3,943)
	<u>131,766</u>	<u>107,403</u>
Trade receivables — net	<u>131,766</u>	<u>107,403</u>

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 30 days	58,064	34,879
31 to 90 days	24,871	19,319
91 to 180 days	21,037	39,618
181 days to 1 year	7,496	16,353
Over 1 years	26,226	1,177
	<u>137,694</u>	<u>111,346</u>

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (a)	69,599	62,221
Bills payable	37,478	23,023
Employee benefits payable	1,919	2,856
Other accrued expenses	3,689	3,331
Refund liabilities	258	271
Other tax payable excluding income tax liabilities	48	4,060
	112,991	95,762

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 30 days	23,293	26,042
31 to 90 days	29,013	23,028
91 to 180 days	10,543	8,965
181 days to 1 year	6,444	3,869
Over 1 year	306	317
	69,599	62,221

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.

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). 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 provides cigarette packaging paper processing services to cigarette package manufacturers.

During the year ended 31 December 2023 ("FY2023"), several major customers of the Group have temporarily reduced their orders of transfer paper and laminated paper from the Group. The Directors consider that such temporary reduction in orders was mainly due to the revision of cigarette packaging policy by the State Tobacco Monopoly Administration (國家煙草專賣局) (i.e. adding QR code on all cigarette packages). The aforementioned factors have caused material adverse impact on the Group's revenue and financial performance for FY2023.

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 features 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.

FINANCIAL REVIEW

Revenue

The Group's overall revenue decreased from approximately RMB289.0 million for the year ended 31 December 2022 (“FY2022”) to approximately RMB190.9 million for FY2023, representing a decrease of approximately RMB98.1 million or 33.9%. Such decrease was mainly due to several major customers of the Group have temporarily reduced their orders of transfer paper and laminated paper from the Group. The Directors consider that such temporary reduction in orders was mainly due to the revision of cigarette packaging policy by the State Tobacco Monopoly Administration (國家煙草專賣局) (i.e. adding QR code on all cigarette packages).

Cost of sales

The Group's cost of sales decreased from approximately RMB228.5 million for FY2022 to approximately RMB173.3 million for FY2023, representing a decrease of approximately RMB55.2 million or 24.1%. Such decrease was mainly due to the decrease in the Group's revenue of approximately 33.9% for FY2023. The less than proportionate decrease in the overall cost of sales as compared to the decrease in the overall revenue for the corresponding year because certain fixed costs such as raw materials and goods used as well as staff costs had to be incurred despite the decrease in the overall revenue.

Gross profit and gross profit margin

The Group's gross profit decreased from approximately RMB60.4 million for FY2022 to approximately RMB17.6 million for FY2023, representing a decrease of approximately RMB42.8 million or 70.9%, while the Group's gross profit margin decreased from approximately 20.9% for FY2022 to approximately 9.2% for FY2023. Such decrease was mainly due to the decrease in revenue and the less than proportional decrease in the overall cost of sales as compared to the decrease in the overall revenue for the corresponding year as discussed above.

Selling expenses

The Group's selling expenses decreased from approximately RMB9.1 million for FY2022 to approximately RMB8.2 million for FY2023 mainly due to the net effect of (i) the decrease in freight charges as a result of decrease in sales volume in FY2023; (ii) the increase in marketing expenses in relation to new tenders bidding.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB30.0 million for FY2022 to approximately RMB17.7 million for FY2023 mainly due to (i) the decrease in listing expenses of approximately RMB7.1 million; and (ii) the decrease in research and development expenses of approximately RMB4.8 million for FY2023.

Provision for/reversal of loss allowance on financial assets, net

We recorded reversal of loss allowance on financial assets, net, of approximately RMB0.9 million for FY2022 and provision for loss allowance on financial assets, net, of approximately RMB2.0 million for FY2023 mainly due to the increase in the gross carrying amount and expected loss rate of our trade receivables.

Other income

The Group's other income remained relatively stable at approximately RMB5.3 million for FY2022 and approximately RMB5.2 million for FY2023, which was mainly due to the net effect of (i) the decrease in government grants received from approximately RMB5.1 million for FY2022 to approximately RMB3.8 million for FY2023; and (ii) the tax deduction of approximately RMB1.2 million for FY2023 (FY2022: nil) pursuant to the input value added tax incremental deduction policy.

Other gains — net

The Group's other gains, net decreased from approximately RMB0.4 million for FY2022 to approximately RMB0.2 million for FY2023, which was mainly attributable to the decrease in exchange gains and the decrease in dividend income from financial assets at fair value through profit or loss.

Finance income — net

The Group's finance income, net increased from approximately RMB0.9 million for FY2022 to approximately RMB1.0 million for FY2023, which was mainly attributable to the net effect of (i) the increase in interest expenses on bank borrowings by approximately RMB0.4 million; and (ii) the increase in interest income on bank deposits and restricted cash by approximately RMB0.5 million.

Income tax credit/expense

The Group recorded income tax expense of approximately RMB4.0 million for FY2022 and income tax credit of approximately RMB1.3 million for FY2023 which was mainly due to the decrease in the Group's revenue and gross profit as discussed above, while the Group recorded loss before income tax of approximately RMB3.9 million for FY2023.

Loss/Profit and total comprehensive loss/income for the year

The Group recorded profit and total comprehensive income of approximately RMB25.0 million for FY2022 and loss and total comprehensive loss of approximately RMB2.6 million for FY2023 which 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 2023, the Company's issued capital was HK\$8.0 million and the number of its issued ordinary Shares was 800,000,000 Shares of HK\$0.01 each.

As at 31 December 2023, the Group had total cash and cash equivalents of approximately RMB95.1 million (31 December 2022: approximately RMB110.3 million). The cash and cash equivalents were denominated in Renminbi ("**RMB**"), Hong Kong dollars and United States dollars (31 December 2022: RMB and Hong Kong dollars).

As at 31 December 2023, the Group had bank borrowings of RMB30.0 million (31 December 2022: nil) which were denominated in RMB. The Group's bank borrowings of RMB10.0 million bear interest at fixed interest rates, while bank borrowings of RMB20.0 million bear interest at floating interest rates.

The gearing ratio of the Group as at 31 December 2023, calculated as total borrowings (including bank borrowings) divided by the total equity was approximately 13.6% (31 December 2022: zero).

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 cash and cash equivalents in Hong Kong dollars and United States 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 FY2023.

CAPITAL EXPENDITURE

During FY2023, the Group incurred capital expenditures of approximately RMB22.4 million (FY2022: approximately RMB0.7 million), primarily due to purchases of property, plant and equipment. The Group acquired two printing machines and one set of positioning crosscutting machine for coloured cigarette packaging paper production (the "**Machinery**") during FY2023. For details, please refer to the Company's announcement in relation to the acquisition of the Machinery and change in use of net proceeds dated 27 October 2023 (the "**Acquisition and Change in UOP Announcement**").

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2023, the Group had capital commitment of approximately RMB1.9 million (31 December 2022: approximately RMB0.5 million).

As at 31 December 2023 and 2022, 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**”), and as disclosed in the Acquisition and Change in UOP Announcement, the Group did not have any future plan for material investments or capital assets as at 31 December 2023. 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

Save for those disclosed in this announcement, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associates or joint ventures during FY2023.

PLEDGE OF ASSETS

As at 31 December 2023, buildings with net book value of approximately RMB11.0 million (31 December 2022: approximately RMB12.1 million) were pledged to secure bills payable of the Group.

As at 31 December 2023, leasehold land use right with net book value of approximately RMB2.9 million (31 December 2022: approximately RMB3.0 million), were pledged to secure bills payable of the Group.

As at 31 December 2023, (i) bank borrowing amounting RMB20.0 million were secured by the Group’s machinery with net book value of approximately RMB5.9 million (31 December 2022: nil) and trade receivables with carrying amounts of approximately RMB120.0 million (31 December 2022: nil); and (ii) bank borrowing amounting to RMB10.0 million was guaranteed by Mr. Yu Tianbing (31 December 2022: nil).

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.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting related expenses, were approximately HK\$90.3 million (the “**Net Proceeds**”). As set out in the Acquisition and Change in UOP Announcement, the Board resolved to change the allocation of the use of the Net Proceeds. An analysis of the utilisation of the revised allocation of the Net Proceeds is set out below:

Description	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$' million</i>	Revised allocation of Net Proceeds <i>HK\$' million</i>	Utilised Net Proceeds during FY2023 <i>HK\$' million</i>	Utilised Net Proceeds up to 31 December 2023 <i>HK\$' million</i>	Unutilised Net Proceeds up to 31 December 2023 <i>HK\$' million</i>	Expected timeline for utilising the unutilised Net Proceeds
Expanding the Group’s production capacity, production efficiency and product portfolio	55.4	33.3	0.6	1.3	32.0	Before 31 December 2025
Enhancing the Group’s research and development capabilities	17.6	17.6	0.9	0.9	16.7	Before 31 December 2025
Enhancing the Group’s enterprise resource planning system and infrastructure system	5.8	0.1	–	0.1	–	Not applicable
Increasing the Group’s marketing efforts	2.6	2.6	0.2	0.2	2.4	Before 31 December 2025
Acquisition of the Machinery	–	22.9	20.6	20.6	2.3	By the end of warranty period of the Machinery
Reserved as the Group’s general working capital	8.9	13.8	4.9	13.8	–	Fully utilised
Total	90.3	90.3	27.3	36.9	53.4	

As at the date of this announcement, there was no change for the intended use of unutilised Net Proceeds as disclosed in the Acquisition and Change in UOP Announcement.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend for FY2022 and FY2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 113 employees, as compared to a total of 117 employees as at 31 December 2022. Remuneration to our employees comprises salaries, wages, bonuses and other benefits. 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 FY2023 was approximately RMB12.4 million compared to approximately RMB13.7 million for FY2022. 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 FY2023 and FY2022, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

EVENTS AFTER 31 DECEMBER 2023

There is no material subsequent event requiring disclosure that has taken place after 31 December 2023 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 C1 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 C3 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 2023.

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 FY2023 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the annual results for FY2023 comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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

The forthcoming AGM is scheduled to be held on Friday, 24 May 2024. 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 Tuesday, 21 May 2024 to Friday, 24 May 2024 (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 Monday, 20 May 2024.

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

During the year ended 31 December 2023 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 and the Stock Exchange's website at www.hkexnews.hk. The 2023 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 Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group'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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary 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 2024

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.