

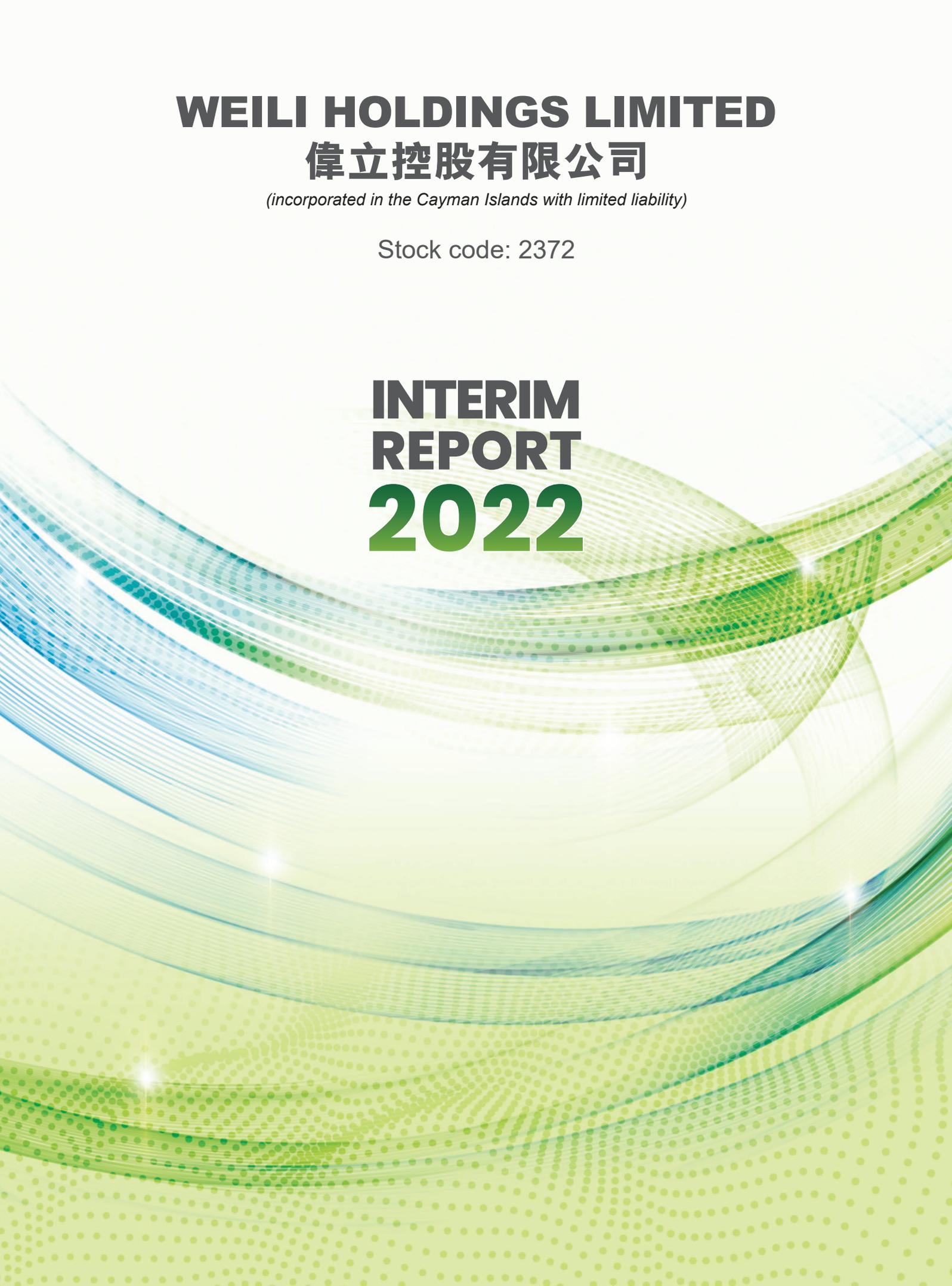
WEILI HOLDINGS LIMITED

偉立控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 2372

INTERIM REPORT 2022

The background of the cover features a dynamic, abstract design. It consists of several thick, flowing, wavy bands in shades of light blue and lime green. These bands are composed of many fine, parallel lines, creating a sense of motion and depth. Below the main bands, there is a pattern of small, light green dots that also follows the wavy, curved path of the design. The overall effect is modern and energetic, typical of a corporate financial report cover.

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chen Weizhuang (*Chairman*)
Mr. Yu Tianbing (*Chief Executive Officer*)

Non-executive Director

Mr. Hu Haoran

Independent Non-executive Directors

Mr. Liu Yimin
Mr. Chen Yeung Tak
Ms. Feng Yuan

Audit Committee

Mr. Chen Yeung Tak (*Chairperson*)
Mr. Liu Yimin
Ms. Feng Yuan

Remuneration Committee

Ms. Feng Yuan (*Chairperson*)
Mr. Chen Yeung Tak
Mr. Chen Weizhuang

Nomination Committee

Mr. Liu Yimin (*Chairperson*)
Ms. Feng Yuan
Mr. Yu Tianbing

Company Secretary

Mr. Yu Tsz Ngo (*HKICPA*)

Authorised Representatives

Mr. Yu Tsz Ngo
Mr. Yu Tianbing

Auditor

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central, Hong Kong

Compliance Adviser

Grande Capital Limited
Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Legal Advisers as to Hong Kong Law

ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

Principal Banker

Bank of China Hong'an Sub-branch
No.6, Jianshe West Street
Chengguan Town
Hong'an County
Hubei Province
China

Registered Office

71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

Headquarters

New Industrial Park
Mi'ersi Town
Hong'an County
Hubei Province
China

Principal Place of Business in Hong Kong

Unit 2004-6, 20th Floor
Strand 50, 50 Bonham Strand
Sheung Wan
Hong Kong

Principal Share Registrar

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
2013B, 21st Floor
148 Electric Road
North Point
Hong Kong

Company's Website

www.weiliholdings.com

Stock Code

2372

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of WElli Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 32, which comprises the interim condensed consolidated statement of financial position of WElli Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Other Matter

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2021. The comparative information for the interim condensed consolidated income statement, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2021 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2022

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		2022	2021
		RMB'000	RMB'000
Revenue	6	195,529	208,001
Cost of sales	8	(151,641)	(157,135)
Gross profit		43,888	50,866
Selling expenses	8	(4,637)	(4,354)
Administrative expenses	8	(15,313)	(17,000)
Net impairment losses of impairment on financial assets		(679)	(624)
Other income	7	1,078	653
Other (losses)/gains — net	9	(747)	7
Operating profit		23,590	29,548
Finance income		264	549
Finance costs		(209)	(545)
Finance income — net		55	4
Profit before income tax		23,645	29,552
Income tax expense	10	(3,679)	(4,687)
Profit for the period		19,966	24,865
Profit attributable to:			
— Shareholders of the Company		19,966	24,865
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB per share)	11		
— Basic and diluted earnings per share		0.03	0.04

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period	19,966	24,865
Other comprehensive income	—	—
Total comprehensive income for the period	19,966	24,865
Profit attributable to:		
— Shareholders of the Company	19,966	24,865

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	22,769	24,362
Right-of-use assets	14	3,060	3,119
Intangible assets		129	133
Deferred income tax assets	15	1,098	993
		27,056	28,607
Current assets			
Inventories	16	38,903	50,099
Trade receivables	17	155,871	145,076
Prepayments and other receivables	18	89,136	5,106
Restricted cash	19	26,167	6,260
Cash and cash equivalents	19	45,925	58,578
		356,002	265,119
Total assets		383,058	293,726
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	20	6,842	–
Other reserves	21	167,508	77,183
Retained earnings		43,780	23,814
Total equity		218,130	100,997

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2022	2021
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		1,647	1,668
Current liabilities			
Trade and other payables	22	149,168	128,258
Bank borrowings	23	10,011	10,017
Dividends payable	24(c)	–	37,872
Lease liabilities		22	43
Amounts due to related parties	24(c)	–	13,051
Current income tax liabilities		4,080	1,820
		163,281	191,061
Total liabilities		164,928	192,729
Total equity and liabilities		383,058	293,726

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Attributable to shareholders of the Company			Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
Balance at 1 January 2022	–	77,183	23,814	100,997
Comprehensive income				
Profit for the period	–	–	19,966	19,966
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	19,966	19,966
Shares issued pursuant to initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") (Note 20, Note 21)	1,710	106,044	–	107,754
Listing expenses capitalised upon the Listing (Note 21)	–	(10,587)	–	(10,587)
Capitalisation issue (Note 20)	5,132	(5,132)	–	–
Balance at 30 June 2022	6,842	167,508	43,780	218,130
Balance at 1 January 2021	–	73,615	29,567	103,182
Comprehensive income				
Profit for the period	–	–	24,865	24,865
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	24,865	24,865
Deemed distributions to the shareholders of the Company (Note 21)	–	(74,693)	–	(74,693)
Dividends (Note 12)	–	–	(37,872)	(37,872)
Balance at 30 June 2021	–	(1,078)	16,560	15,482

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited	
		2022	2021
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		25,065	(10,192)
Interest received		261	549
Income tax paid		(1,524)	(3,892)
Net cash generated from/(used in) operating activities		23,802	(13,535)
Cash flows from investing activities			
Purchase of property, plant and equipment		(38)	(58)
Purchase of intangible assets		(42)	–
Purchase of financial assets at fair value through profit or loss (“FVPL”)		(103,100)	(27,000)
Proceeds from disposal of financial assets at FVPL		103,100	27,000
Dividend income from financial assets at FVPL		248	59
Net cash generated from investing activities		168	1
Cash flows from financing activities			
Loans received from shareholders	24(b)	–	75,469
Deemed distributions to the shareholders of the Company	21	–	(74,693)
Proceeds from the Listing, deducted share issuance cost		10,655	–
Loans repaid to related parties		(7,568)	–
Proceeds from bank borrowings		10,000	5,000
Repayments of bank borrowings		(10,000)	(22,000)
Interest paid on bank borrowings		(214)	(573)
Dividends paid		(37,872)	–
Payment of lease liabilities		(20)	–
Interest paid on lease liabilities		(1)	–
Payment for listing expenses		(901)	(1,066)
Net cash used in financing activities		(35,921)	(17,863)
Net decrease in cash and cash equivalents		(11,951)	(31,397)
Cash and cash equivalents at beginning of period		58,578	37,559
Exchange losses on cash and cash equivalents		(702)	(50)
Cash and cash equivalents at end of period		45,925	6,112

The notes on pages 11 to 32 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

This interim condensed consolidated financial information (the “Interim Financial Information”) is presented in Renminbi, unless otherwise stated, and has been approved for issue by the board of directors (the “Board”) of the Company on 29 August 2022.

This interim condensed consolidated financial information has not been audited.

2. BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The Interim Financial Information is to be read in conjunction with the consolidated financial statements included in the Accountant’s Report set forth in Appendix I to the Company’s prospectus dated 17 June 2022 (the “Prospectus”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The following new standards and amendments to existing standards and improvements are relevant and mandatory for the Group's financial reporting period beginning on 1 January 2022:

		Effective for annual years beginning on or after
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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The following new standard and amendments to existing standards relevant to the Group have been issued but are not effective for the financial reporting period beginning on 1 January 2022 and have not been early adopted by the Group:

		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 1	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standard and amendments to existing standards are effective for annual periods beginning on or after 1 January 2023 and have not been applied in preparing this interim condensed consolidated financial information. None of these is expected to have a significant effect on the interim condensed consolidated financial information of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements included in the Accountant's Report presented in the Prospectus.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements included in the Accountant's Report presented in the Prospectus.

There have been no changes in the risk management policies since 31 December 2021.

5.2 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances and the availability of funding through committed credit facilities and takes into account all available information on future business environment including among others, the economic impact of the unprecedented COVID-19 pandemic or other unforeseen crisis on the economies of the countries in which the Group and its customers and suppliers operate. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	On demand or less than 1 year RMB'000	Carrying amount RMB'000
As at 30 June 2022 (unaudited)		
Bank borrowings	10,211	10,011
Trade and other payables (excluding other tax payables, employee benefits payable and refund liabilities)	140,846	140,846
Lease liabilities	24	22
	151,081	150,879
As at 31 December 2021 (audited)		
Bank borrowings	10,337	10,017
Trade and other payables (excluding other tax payables, employee benefits payable and refund liabilities)	121,711	121,711
Lease liabilities	48	43
Dividends payable	37,872	37,872
Amounts due to related parties	13,051	13,051
	183,019	182,694

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value estimation

The Group's financial instruments are carried at fair value as at the end of the reporting period, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no transfers between levels 1, 2 and 3 during the period ended 30 June 2022 and 2021. The Group has no financial instruments in level 1.

(a) The financial instruments in level 2

The fair value of financial instruments in level 2 (net of provision for impairment), included bills receivable measured at fair value through other comprehensive income ("FVOCI"), was estimated by discounting the future contractual cash flows at the current market interest rate that was available to the Group for similar financial instruments. There were no balance of the financial instruments in level 2 as at 30 June 2022 and 31 December 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

5.3 Fair value estimation *(Continued)*

(b) The financial instruments in level 3

The following table presents the changes in level 3 instruments for the six months ended 30 June 2022 and 2021.

	Financial assets at fair value through profit or loss RMB'000 (Unaudited)
At 1 January 2022	–
Addition	103,100
Net gains recognized in profit or loss (Note 9)	248
Settlement	(103,348)
At 30 June 2022	–
	Financial assets at fair value through profit or loss RMB'000 (Unaudited)
At 1 January 2021	–
Addition	27,000
Net gains recognized in profit or loss (Note 9)	59
Settlement	(27,059)
At 30 June 2021	–

During the period ended 30 June 2022 and 2021, the Group's financial assets at FVPL represented certain non-capital protected wealth management products denominated in RMB and issued by reputable banks in the PRC which primarily invested in listed or unlisted securities and bonds. As these instruments were not traded in active market, their fair values were determined based on the expected rate of return on the Group's investment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. 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 period ended 30 June 2022 and 2021. An analysis of the Group’s revenue as well as timing of revenue recognition is as follows:

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants related to income	333	–
Sales of raw and waste materials, net	724	505
Amortisation of deferred income	21	21
Others	–	127
	1,078	653

8. EXPENSES BY NATURE

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9. OTHER (LOSSES)/GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other gains		
— Dividend income from financial assets at FVPL	248	59
Other losses		
— Bank charges on bills receivable discounted to banks	(280)	—
— Exchange losses	(715)	(50)
— Others	—	(2)
	(995)	(52)
Other (losses)/gains — net	(747)	7

10. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax		
— The PRC current tax	3,784	4,792
Deferred income tax (Note 15)	(105)	(105)
	3,679	4,687

(a) Cayman Islands and BVI profits tax

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

(b) Hong Kong profits tax

The subsidiary of the Group incorporated in Hong Kong is subject to profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have estimated assessable profit in Hong Kong during the six months ended 30 June 2022 and 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10. INCOME TAX EXPENSE *(Continued)*

(c) The PRC Enterprise Income Tax

Subsidiary incorporated in the PRC has obtained the approvals to become a new and high-technology enterprise and are entitled to a preferential income tax rate of 15% on the estimated assessable profits during the six months ended 30 June 2022 and 2021.

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

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue, the 1000 shares issued from 21 April 2021 to 29 June 2022 and the capitalisation issue of 599,999,000 shares were deemed to have been in issue since 1 January 2021.

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

(b) Diluted

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12. DIVIDENDS

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Dividends declared	–	37,872

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

13. PROPERTY, PLANT AND EQUIPMENT

	Unaudited				
	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Electronic and other equipment RMB'000	
Six months ended 30 June 2022					
Opening net book amount	13,200	10,588	168	406	24,362
Additions	–	6	–	32	38
Depreciation	(550)	(902)	(53)	(126)	(1,631)
Closing net book amount	12,650	9,692	115	312	22,769
Six months ended 30 June 2021					
Opening net book amount	14,299	12,193	252	584	27,328
Additions	–	2	22	34	58
Depreciation	(550)	(888)	(53)	(121)	(1,612)
Closing net book amount	13,749	11,307	221	497	25,774

As at 30 June 2022, buildings with net book value of approximately RMB12,650,000 were pledged to secure bills payable of the Group.

As at 31 December 2021, buildings with net book value of approximately RMB13,200,000 were pledged to secure bank borrowings and bills payable of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14. RIGHT-OF-USE ASSETS

This note provides information for leases where the Group is a lessee.

	Unaudited			
	Leasehold land use right RMB'000	Offices RMB'000	Warehouse RMB'000	Total RMB'000
Six months ended 30 June 2022				
Opening net book amount	3,076	–	43	3,119
Depreciation	(38)	–	(21)	(59)
Closing net book amount	3,038	–	22	3,060
Six months ended 30 June 2021				
Opening net book amount	3,153	63	–	3,216
Disposals	–	(36)	–	(36)
Depreciation	(38)	(27)	–	(65)
Closing net book amount	3,115	–	–	3,115

As at 30 June 2022, leasehold land use right with net book value of approximately RMB3,038,000, were pledged to secure bills payable of the Group.

As at 31 December 2021, leasehold land use right with net book value of approximately RMB3,076,000, were pledged to secure bank borrowings and bills payable of the Group.

15. DEFERRED INCOME TAX

Deferred income tax assets

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	15	5
— to be recovered after more than 12 months	1,083	988
	1,098	993

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15. DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets *(Continued)*

The movement of deferred income tax assets during the period is as follows:

	Unaudited			
	Provision for loss allowance	Deferred income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	740	250	3	993
Credited/(charge) to profit or loss	100	(3)	8	105
At 30 June 2022	840	247	11	1,098
At 1 January 2021	812	256	(7)	1,061
Credited/(charge) to profit or loss	94	(3)	14	105
At 30 June 2021	906	253	7	1,166

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on remittance of dividends in respect of profits earned by the Company's PRC subsidiary at the applicable tax rate of 10%.

16. INVENTORIES

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Raw materials	22,694	13,506
Finished goods	15,855	36,315
Packaging materials and others	354	278
	38,903	50,099

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17. TRADE RECEIVABLES

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. PREPAYMENTS AND OTHER RECEIVABLES

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

- (a) Other receivables as at 30 June 2022 mainly consists of the net proceed amounting of approximately RMB 87,720,000 due from underwriters pursuant to the Listing, which has been subsequently received on 11 July 2022.

19. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Cash at bank and on hand	72,092	64,838
Less: restricted cash	(26,167)	(6,260)
Cash and cash equivalents	45,925	58,578

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

20. SHARE CAPITAL

	Authorised ordinary shares	
	Number of shares (‘000)	Hong Kong dollar (“HKD”) ‘000
As at 31 December 2021	38,000	380
Increase in authorised share capital (a)	9,962,000	99,620
As at 30 June 2022	10,000,000	100,000

	Issued		
	Number of shares (‘000)	HKD’000	RMB’000
As at 31 December 2021	1	–	–
Issue of new shares pursuant to the Listing (b)	200,000	2,000	1,710
Capitalisation issue (c)	599,999	6,000	5,132
As at 30 June 2022	800,000	8,000	6,842

- (a) Pursuant to the shareholders’ resolutions passed on 2 June 2022, authorised share capital increased from HKD380,000 to HKD100,000,000, divided into 10,000,000,000 shares by the creation of additional 9,962,000,000 shares at par value of HKD0.01 each, all of which shall rank equally in all respects with the existing shares in issue with immediate effect.
- (b) In connection with the Listing of the Company, 200,000,000 ordinary shares at par value of HKD0.01 each and a sum of HKD2,000,000 (equivalent to approximately RMB1,710,000) of share capital was issued.
- (c) On 30 June 2022, an aggregate of 599,999,000 shares issued and allotted to the shareholders whose names appear on the register of members of the Company as of 2 June 2022 on a pro rata basis by way of capitalisation of the sum of HKD5,999,999 (equivalent to approximately RMB5,132,000) standing to the credit of the share premium account of the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21. OTHER RESERVES

	Unaudited					
	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	FVOCI reserve RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2022	–	17,182	60,001	–	–	77,183
Shares issued pursuant to the Listing, excluding share capital (b)	106,044	–	–	–	–	106,044
Listing expenses capitalised upon the Listing (b)	(10,587)	–	–	–	–	(10,587)
Capitalisation issue (Note 20(c))	(5,132)	–	–	–	–	(5,132)
At 30 June 2022	90,325	17,182	60,001	–	–	167,508

	Unaudited					
	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	FVOCI reserve RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2021	–	13,614	60,001	–	–	73,615
Deemed distributions to the shareholders of the Company	–	–	(74,693)	–	–	(74,693)
At 30 June 2021	–	13,614	(14,692)	–	–	(1,078)

(a) Statutory reserve

In accordance with relevant rules and regulations in the PRC and the Articles of Association of the Group's PRC subsidiary, the Group's PRC subsidiary is required to transfer at least 10% of its profit after taxation calculated under the PRC accounting standards and regulations to a statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' accumulated losses or to increase the capital of the Group's PRC subsidiary.

(b) Share premium

In connection with the Listing of the Company, 200,000,000 ordinary shares were issued at HKD0.63 each for a total consideration of HKD126,000,000 (equivalent to approximately RMB107,754,000) in aggregate on 30 June 2022, which was divided into HKD2,000,000 (equivalent to approximately RMB1,710,000) of share capital and HKD124,000,000 (equivalent to approximately RMB106,044,000) of share premium, respectively.

Listing expenses to be capitalised at approximately RMB10,587,000 that were directly attributable to the issuance of ordinary shares in connection with the Listing were treated as a deduction from share premium.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

22. TRADE AND OTHER PAYABLES

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

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Up to 30 days	26,503	37,809
31 to 90 days	37,537	44,311
91 to 180 days	20,716	16,138
181 days to 1 year	7,308	6,632
Over 1 year	1,392	1,737
	93,456	106,627

(b) As at 30 June 2022, the bills payable was secured by bank deposits (Note 19), the Group's buildings (Note 13) and land-use rights (Note 14)(31 December 2021: same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

23. BANK BORROWINGS

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Bank borrowings — secured	10,011	10,017

As at 31 December 2021, the Group's bank borrowings were secured by the Group's buildings (Note 13) and land use rights (Note 14).

The Group's bank borrowings were to be settled within one year and denominated in RMB. The weighted average effective interest rates of the Group's bank borrowings as at 30 June 2022 was 3.85% per annum, respectively (31 December 2021: 5.32%).

As at 30 June 2022, the Group had no unutilised bank facility (31 December 2021: same).

24. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other parties or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) Name and relationship with related parties

Name	Relationship
Mr. Chen Weizhuang ("Mr. Chen")	Controlling shareholder of the Company
Mr. Yu Tianbing ("Mr. Yu")	Shareholder of the Company
Mr. Hu Haoran ("Mr. Hu")	Shareholder of the Company
Mr. Wu Bo ("Mr. Wu")	Shareholder of the Company
Mr. Lu Shunhe ("Mr. Lu")	Shareholder of the Company
Mr. Lin Huan ("Mr. Lin")	Shareholder of the Company
City Ease Limited ("City Ease")	Controlling shareholder of the Company
Yong Ning Limited ("Yong Ning")	Shareholder of the Company
Enlighten East Limited ("Enlighten East")	Shareholder of the Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party transactions

The Group undertook the following related party transactions during the period:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Amount settled by:		
Mr. Hu	–	3,911
Amount repaid to:		
Mr. Hu	5,496	–
Dividends repaid to:		
Mr. Chen	21,397	–
Mr. Yu	6,060	–
Mr. Hu	4,166	–
Mr. Wu	2,651	–
Mr. Lu	2,083	–
Mr. Lin	1,515	–
	37,872	–
Loan received from shareholders:		
City Ease	–	43,507
Yong Ning	–	12,320
Enlighten East	–	19,642
	–	75,469
Loan repaid to:		
Mr. Hu	6,792	–
Enlighten East	776	–
	7,568	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

24. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Dividends payable		
Mr. Chen	–	21,397
Mr. Yu	–	6,060
Mr. Hu	–	4,166
Mr. Wu	–	2,651
Mr. Lu	–	2,083
Mr. Lin	–	1,515
	–	37,872
Amounts due to related parties		
Enlighten East	–	763
Mr. Hu	–	12,288
	–	13,051

(d) Key management compensation

Key management includes chairman, executive directors and senior management of the Group.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Basic salaries, bonus, housing fund, medical insurance and other social insurance	449	422
Pension costs — defined contribution plan	27	27
	476	449

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25. CONTINGENCIES

The Company did not have any material contingent liabilities as at 30 June 2022 and 31 December 2021.

26. SUBSEQUENT EVENTS

As from 30 June 2022 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

The Group is a PRC-based cigarette packaging paper manufacturer with research and development capabilities to supply customised products to the customers. The Group supplies products primarily to cigarette package manufacturers which operate in different provinces of the PRC, mainly including Hubei Province and Henan Province. The products sold by the Group are used in the manufacture of cigarette packages for well-known cigarette brands in the PRC. During the six months ended 30 June 2022 (the “Reporting Period”), the Group’s products were used as cigarette packaging materials for cigarette brands which were recognised as the “Dual 15 cigarette brands (雙十五煙草品牌)” by the State Tobacco Monopoly Administration (中國國家煙草專賣局).

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

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

However, the Group noted that since July 2022, the operating conditions have become more and more challenging, mainly due to (i) COVID-19 cases found in different regions of the PRC, including Hubei Province and several other regions where the Group’s customers are located; and (ii) the power shortage in the PRC due to the recent heatwave and record-breaking high temperatures. Since mid-July 2022, COVID-19 cases were found in different regions in the PRC which were previously relatively unaffected by the outbreak in the first half of 2022, such as Hubei Province and Henan Province. Logistics restrictions were therefore imposed as countermeasures by the local governments. Several districts in Hubei Province, Henan Province and Shanghai, where the Group’s customers are located, were affected, resulting in decreased orders from these customers. If the situation continues or worsens, there may be material adverse impact on the Group’s revenue and financial performance for the second half of 2022. Also, since mid-July, several provinces, including Hubei Province where the Group’s headquarter is located, have been facing a heatwave with record-breaking high temperature. Driven by the need for air conditioning, the power demand has increased significantly, which put pressure on the electricity supply. On 16 August 2022, the Group received a letter from the local government and electricity supplier, stating that the Hubei Province and Huanggang City were facing a power deficit in their power-grid. The letter also required enterprises to cooperate with the local government to secure the power needs of local residents and important users. To cooperate with the government, the Group has voluntarily adjusted its operating hours to avoid the demand spike of electricity, which has posed challenges to the Group to maintain optimal productivity and outputs. If the situation continues for a longer period or if the Group is mandatorily required by the local authority to temporarily suspend operation due to power shortage, there may be material adverse impact on the Group’s business operation and financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

The Group's gross profit margin decreased from approximately 24.5% for the six months ended 30 June 2021 to approximately 22.4% for the Reporting Period, mainly due to the less than proportional decrease in the Group's cost of sales for the Reporting Period as compared to the decrease in the Group's overall revenue for the corresponding period as discussed above.

Other income

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

Other (losses)/gains — net

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

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

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

Finance income — net

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

Income tax expenses

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

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

Profit and total comprehensive income

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

As at 30 June 2022, the Company’s issued capital was HK\$8.0 million and the number of its issued ordinary Shares was 800,000,000 Shares of HK\$0.01 each.

As at 30 June 2022, the Group had total cash and cash equivalents of approximately RMB45.9 million (31 December 2021: approximately RMB58.6 million).

As at 30 June 2022, the Group had bank borrowing amounting to RMB10.0 million (31 December 2021: RMB10.0 million), which is principally denominated in Renminbi. For further information of the Group’s bank borrowings, please refer to note 23 of the interim condensed consolidated financial statements of the Group.

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

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

The Group transacts mainly in Renminbi, which is the functional currency of the Group’s principal operating subsidiaries. However, the Group retains certain proceeds from the Listing in Hong Kong dollars that are exposed to foreign exchange rate risks. The Board considers that the Group has not exposed to significant foreign exchange risk and no foreign exchange hedging was conducted by the Group during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

As at 31 December 2021 and 30 June 2022, the Group did not have any significant contingent liabilities.

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

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

SIGNIFICANT INVESTMENTS HELD

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

PLEDGE OF ASSETS

As at 31 December 2021, buildings with net book value of approximately RMB13.2 million were pledged to secure bank borrowings and bills payable of the Group, and leasehold land use right with net book value of approximately RMB3.1 million were pledged to secure bank borrowings and bills payable of the Group.

As at 30 June 2022, buildings with net book value of approximately RMB12.7 million were pledged to secure bills payable of the Group, and leasehold land use right with net book value of approximately RMB3.0 million were pledged to secure bills payable of the Group.

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

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of interim dividend for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 125 employees, as compared to a total of 114 employees as at 30 June 2021. Remuneration to our employees comprises salaries and allowances and bonuses. The Group generally reviews the performance of the employees by way of annual appraisals. The results of these reviews are used for the purposes of salary adjustments and promotion. The total staff costs incurred by the Group for the Reporting Period was approximately RMB6.2 million compared to approximately RMB6.0 million for the corresponding period in 2021. Various on-the-job trainings were provided to the employees. The Group provides various trainings including induction training for new employees, on-the-job training, team-building training and external training for the employees to keep them abreast of the latest technical development relevant to the industry.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees in the PRC. The Group is required to make contributions to the retirement plans at certain percentage of the employees' payroll. For the six months ended 30 June 2022, no forfeited contributions may be used by the Group to reduce the existing level of contributions.

EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. During the period from 30 June 2022 (the "Listing Date") to the date of this interim report, the Company has complied with the applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this interim report.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries since the Listing Date and up to the date of this interim report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at 30 June 2022 or at any time during the six months ended 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Company

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

Notes:

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

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, so far as it was known to the Directors, the following persons (other than the Directors and chief executive of the Company) had or deemed or taken to have an interest and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Notes:

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

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

Written resolutions of the Shareholders of the Company were passed on 2 June 2022 to conditionally adopt the share option scheme (the “Scheme”). The principal terms of the Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to the Prospectus. No share options have been granted, exercised, cancelled or lapsed under the Scheme since its adoption date and up to the date of this interim report. The Scheme will remain in force for a period of 10 years after the date of adoption.

MANAGEMENT CONTRACT

No contract, other than a contract of service with any Director or any person in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the six months ended 30 June 2022.

CONNECTED AND RELATED PARTY TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital was held by the public from the Listing Date and up to the date of this interim report.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF INTERIM FINANCIAL RESULTS BY AUDIT COMMITTEE

The unaudited consolidated interim financial information of the Group for the six months ended 30 June 2022 and the accounting information given in this interim report has not been audited by the external auditor of the Company but has been reviewed by the Audit Committee of the Company, which agreed with the accounting treatment adopted by the Company, and was of the opinion that the preparation of such accounting information complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement and this interim report are published on the Company's website at www.weiliholdings.com and the Stock Exchange's website at www.hkexnews.hk. This interim report of the Company for the six months ended 30 June 2022 will be despatched to its shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course in the manner as required by the Listing Rules.

APPRECIATION

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

On behalf of the Board
Chen Weizhuang
Chairman and Executive Director

Hong Kong, 29 August 2022