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卫龙美味全球控股有限公司
WEILONG Delicious Global Holdings Ltd
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9985)

**ANNOUNCEMENT OF THE ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2022 Annual Results Highlights

- Total revenue was RMB4,632.2 million, representing a year-on-year decrease of 3.5%;
- Gross profit was RMB1,959.6 million, representing a year-on-year increase of 9.3%;
- Gross profit margin was 42.3%, representing a year-on-year increase of 4.9 percentage points;
- Profit for the year was RMB151.3 million, representing a year-on-year decrease of 81.7%;
- Adjusted net profit¹ for the year was RMB913.1 million, representing a year-on-year increase of 0.6%;
- Adjusted basic earnings per share were RMB0.42, representing a year-on-year decrease of 5.3%;
- Proposed final dividend per ordinary share was RMB0.12, and proposed special dividend per ordinary share was RMB0.12.

¹ To supplement the consolidated financial statements of the Group, which are presented in accordance with IFRS, the Group also uses adjusted net profit (Non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with IFRS. The Group believes this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

The Group believes this measure provides useful information to investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as it helped our management. However, the Group's presentation of adjusted net profit (Non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, the Group's results of operations or financial conditions as reported under IFRS.

The board of directors (the “**Board**”) of WEILONG Delicious Global Holdings Ltd (the “**Company**” or “**WEILONG**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2022 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRS**”), together with the comparative figures for the corresponding period of 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended December 31,	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
Revenue from contracts with customers	3	4,632,221	4,800,200
Cost of sales of goods	3, 6	<u>(2,672,616)</u>	<u>(3,007,169)</u>
Gross profit		1,959,605	1,793,031
Distribution and selling expenses	6	(633,300)	(520,613)
Administrative expenses	6	(481,687)	(359,110)
Net impairment gains/(losses) on financial assets		182	(303)
Other income, net	4	107,578	152,666
Other (losses)/gains, net	5	<u>(597,686)</u>	<u>11,715</u>
Operating profit		354,692	1,077,386
Finance income	7	71,067	24,782
Finance costs	7	<u>(13,382)</u>	<u>(5,536)</u>
Finance income, net	7	<u>57,685</u>	19,246
Profit before income tax		412,377	1,096,632
Income tax expense	8	<u>(261,080)</u>	<u>(269,903)</u>
Profit for the year		<u>151,297</u>	<u>826,729</u>
Profit is attributable to:			
– Owners of the Company		<u>151,297</u>	<u>826,729</u>
Earnings per share for profit attributable to owners of the Company (RMB)			
Basic earnings per share	9	0.07	0.41
Diluted earnings per share	9	0.07	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Profit for the year	151,297	826,729
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
– Exchange differences on translation of foreign operations	(16,500)	831
Items that may not be reclassified to profit or loss		
– Exchange differences on translation of the Company	<u>115,880</u>	<u>(43,048)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>99,380</u>	<u>(42,217)</u>
Total comprehensive income for the year	<u>250,677</u>	<u>784,512</u>
Total comprehensive income for the year is attributable to:		
– Owners of the Company	<u>250,677</u>	<u>784,512</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at December 31,	
		2022	2021
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		1,127,556	964,449
Right-of-use assets		533,705	181,203
Intangible assets		21,445	9,740
Term deposits with initial term over three months		1,603,886	954,340
Deferred income tax assets		68,827	42,190
Other non-current assets		17,730	52,402
		<hr/>	<hr/>
Total non-current assets		3,373,149	2,204,324
		<hr/>	<hr/>
Current assets			
Trade, other receivables and prepayments	<i>11</i>	240,048	319,007
Inventories		599,263	604,255
Financial assets at fair value through profit or loss		382,440	802,103
Restricted cash		–	294
Term deposits with initial term over three months		1,020,982	766,331
Cash and cash equivalents		1,314,453	494,275
		<hr/>	<hr/>
Total current assets		3,557,186	2,986,265
		<hr/>	<hr/>
Total assets		6,930,335	5,190,589
		<hr/>	<hr/>

		As at December 31,	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowings		161,180	64,000
Lease liabilities		1,966	7,170
Deferred income		196,033	160,316
Deferred income tax liabilities		46,498	33,662
		<hr/>	<hr/>
Total non-current liabilities		405,677	265,148
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>12</i>	689,732	593,855
Contract liabilities	<i>3</i>	225,261	180,583
Current income tax liabilities		81,795	77,417
Borrowings		120	396,112
Lease liabilities		3,338	7,545
		<hr/>	<hr/>
Total current liabilities		1,000,246	1,255,512
		<hr/>	<hr/>
Total liabilities		1,405,923	1,520,660
		<hr/>	<hr/>
Net assets		5,524,412	3,669,929
		<hr/>	<hr/>
Equity			
Share capital		155	137
Other reserves		3,226,009	1,481,512
Retained earnings		2,298,248	2,188,280
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,524,412	3,669,929
		<hr/>	<hr/>
Total equity		5,524,412	3,669,929
		<hr/>	<hr/>
Total equity and liabilities		6,930,335	5,190,589
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

WEILONG Delicious Global Holdings Ltd (the “**Company**”) was incorporated in the Cayman Islands on July 6, 2018 as an exempted company with limited liability under the Company Act (Cap 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the production and sale of spicy snack food (the “**Listing Business**”) in the People’s Republic of China (“**PRC**”).

The ultimate holding company of the Company is HH Global Capital Ltd (和和全球資本有限公司, “**HH Global Capital**”). The ultimate controlling parties are Mr. Liu Weiping (劉衛平) and his brother Mr. Liu Fuping (劉福平) (the “**Controlling Shareholders**”), who are also the chairman and executive director of the board of the directors (the “**Board**”) of the Company, respectively.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since December 15, 2022 (the “**Listing**”) by way of its initial public offering (the “**IPO**”).

These consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to nearest thousand Yuan, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of the consolidated financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and interpretations issued by IFRSs Interpretations Committee (IFRSs IC) applicable to companies reporting under IFRSs. The financial statements comply with IFRSs as issued by the International Accounting Standards Board (“**IASB**”). The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRSs 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022:

- *Property, Plant and Equipment: Proceeds before Intended Use* – Amendments to IAS 16
- *Onerous Contracts – Cost of Fulfilling a Contract* – Amendments to IAS 37
- *Annual Improvements to IFRS Standards 2018-2020*, and
- *Reference to the Conceptual Framework* – Amendments to IFRS 3.

The above standards did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

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

New Standards, interpretations and amendments		Effective date
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendment to IFRS 16	Leases liability in a sale and leaseback	January 1, 2024
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendment to IAS 1	Non current liabilities with covenants	January 1, 2024

3. SEGMENT INFORMATION

The Group is principally engaged in the production and sale of spicy snack food. Majority of the Group's revenue and business activities are conducted in the PRC.

For management purposes, the Group is organized into business units based on their products and has three reportable operating segments as follows:

By product type:

- Seasoned flour products, primarily comprising Big Latiao, Mini Latiao, Spicy Hot Stick, Mini Hot Stick and Kiss Burn.
- Vegetable products, primarily comprising Konjac Shuang and Fengchi Kelp.
- Bean-based and other products, primarily comprising Soft Tofu Skin, 78° Braised egg and meat products.

CODM monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit. No analysis of segment operating profit is presented as CODM does not regularly review such information for the purposes of resource allocation and performance assessment. Segment assets and liabilities are not presented as CODM reviews the assets and liabilities on a central basis. Therefore, only segment revenue and segment gross profit are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Seasoned flour products RMB'000	Vegetable products RMB'000	Bean-based and other products RMB'000	Total RMB'000
For the year ended December 31, 2022				
Revenue	2,718,613	1,693,339	220,269	4,632,221
Cost of sales	<u>(1,634,171)</u>	<u>(900,160)</u>	<u>(138,285)</u>	<u>(2,672,616)</u>
Gross profit	<u>1,084,442</u>	<u>793,179</u>	<u>81,984</u>	<u>1,959,605</u>
For the year ended December 31, 2021				
Revenue	2,918,039	1,664,120	218,041	4,800,200
Cost of sales	<u>(1,871,077)</u>	<u>(1,000,717)</u>	<u>(135,375)</u>	<u>(3,007,169)</u>
Gross profit	<u>1,046,962</u>	<u>663,403</u>	<u>82,666</u>	<u>1,793,031</u>

(a) *Geographical information*

Revenue from external customers broken down by location of the customers is shown in the table below:

	For the year ended December 31,	
	2022 RMB'000	2021 RMB'000
In PRC	4,566,747	4,780,404
Overseas	65,474	19,796
	<u>4,632,221</u>	<u>4,800,200</u>

Majority of the Group's identifiable assets and liabilities were located in the PRC.

(b) *Information about major customers*

No revenue from a single customer accounted for 10% or more of the Group's revenue during the reporting period.

(c) *An analysis of revenue is as follows:*

	For the year ended December 31,	
	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers		
Sale of goods	<u>4,632,221</u>	<u>4,800,200</u>

The timing of the above revenue recognition is when the performance obligations of sales and delivery of goods are satisfied at a point in time.

The performance obligation is satisfied upon delivery of the goods and payment in advance is normally required, except for customers with credit terms up to 90 days. Some contracts provide customers with a right of return, volume rebates and co-advertising allowance which give rise to variable consideration.

(d) *Assets and liabilities related to contracts with customers*

The Group has recognized the following liabilities related to contracts with customers:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Contract liabilities	<u>225,261</u>	<u>180,583</u>

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities:

	For the year ended	
	December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was include in the contract liabilities balance at the beginning of the year		
Contract liabilities	<u>180,583</u>	<u>233,251</u>

The Group has no revenue contract that has an original expected duration more than one year, thus management applies practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially satisfied as of the end of the reporting period.

4. OTHER INCOME, NET

	For the year ended	
	December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants		
Related to income (a)	85,586	130,988
Related to assets (b)	4,144	3,525
Sale of scraps and raw materials		
Proceeds income related to scraps and raw materials	24,058	22,359
Cost related to scraps and raw materials	(8,679)	(6,197)
VAT reduction	2,469	1,991
	<u>107,578</u>	<u>152,666</u>

The government grants represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group in the PRC.

- (a) The government grants and subsidies related to income have been received to reward for the contribution to the local economic growth. These grants related to income were recognized in the statement of profit or loss upon receipt of these rewards and the related conditions associated with the rewards, if any, met. There are no unfulfilled conditions or contingencies relating to these grants.
- (b) The Group has received certain government grants related to the investments in production plants. The grants related to assets were recognized in the statement of profit or loss over the useful lives of relevant assets.

5. OTHER (LOSSES)/GAINS, NET

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Fair value gains on financial assets at fair value through profit or loss	30,892	27,416
Loss on disposal of property, plant and equipment	(2,185)	(1,647)
Donation	(2,021)	(11,695)
Share-based payments related to Pre-IPO Investments (a)	(628,811)	–
Settlement loss related to foreign exchange forward contract (b)	(5,238)	–
Net foreign exchange gains/(losses)	13,185	(6,148)
Impairment of property, plant and equipment	(7,026)	–
Net impairment loss on other non-current assets	–	(76)
Others	3,518	3,865
	<u>(597,686)</u>	<u>11,715</u>

(a) Share-based payments related to Pre-IPO Investments

On April 27, 2022, the Group, the Controlling Shareholders and Pre-IPO investors (namely, CPE Investment XVIII Limited, CWL Management XVIII Limited, CWL Food Co-invest Limited, AUT-IV Holdings Limited, Image Flag Investment (HK) Limited, Duckling Fund, L.P., YF Demeter Limited, Harmony Capital Limited, Oceanpine Focus Fund LP, SCC Growth VI Holdco F, Ltd. and Shanghai Hongluo Enterprise Management Consulting Partnership (Limited Partnership) (上海泓潔企業管理諮詢合夥企業(有限合夥)) (the “Shanghai Hongluo”) (collectively, the “Pre-IPO Investors”)), entered into a supplemental agreement of share purchase agreement, pursuant to which the Company agreed to issue and sell to the Supplemental Agreement Investors in a total amount of 157,626,890 ordinary shares with a par value of USD0.00001 for a total consideration of USD 1,576.2689, equivalent to RMB11,000. On the same date, the Company adopted a second amended and restated memorandum and articles (“MAA”) by a special resolution passed on April 27, 2022. According to the MAA dated on April 27, 2022, subject to the provisions and circumstances under the relevant legal documents dated on April 27, 2022, if a qualified IPO has not occurred, the Board of the Company may cause the Company and without any further approval from the Supplemental Agreement Investors, and the Company shall be entitled, to compulsorily redeem all of the aggregate amount of 157,626,890 ordinary shares held by the Supplemental Agreement Investors at its par value (i.e USD0.00001).

The fair value of total amount of 157,626,890 ordinary shares at the issuance date was amounting to RMB628,822,000 with the assistance of by independent external valuer using valuation model based on the discounted cash flow method. According to the relevant requirements under IFRS 2 share-based payments, the difference between the fair value and the cash consideration received amounting to RMB628,811,000 was charged into the consolidated income statements and credited to other reserves correspondingly.

The discounted cash flow method under the income approach has been applied in the determination of the fair value. The assumptions used in determining the grant date fair value included revenue growth rates, long-term growth rate and discount rate, which were set out as follows, and a listing probability of 55% was considered in determining the share-based payments related to Pre-IPO Investments.

Revenue annual growth rates	9%-20%
Long term growth rate	3%
Discount rate	12%

- (b) On March 15, 2022, the Group entered into a certain foreign exchange forward contract, pursuant to which, certain amount of US dollars would be settled into RMB at a fixed exchange rate on June 15, 2022. As at June 15, 2022, a loss due to the settlement of the foreign exchange forward contract amounting to RMB5,238,000 was recognized.

6. EXPENSE BY NATURE

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Consumption of raw materials	2,141,677	2,440,908
Changes in inventories of finished goods, semi-finished goods, and goods in transit	(38,318)	(25,458)
Employee benefit expenses	852,998	786,998
Transportation expenses	160,191	170,722
Utilities	92,353	91,979
Promotion and advertising expenses	139,266	78,679
Other tax expenses	44,538	43,588
Depreciation and amortization	135,267	106,436
Travelling expenses	30,129	35,018
Repairs and maintenance	32,003	32,079
Office expenses	38,511	27,639
Listing expenses	34,852	30,502
Auditor's remuneration		
– Audit services	2,680	103
– Non-audit services	28	–
Expense relating to short-term leases	11,158	4,349
Professional fees	70,479	18,902
Others	39,791	44,448
	<hr/>	<hr/>
Total cost of sales of goods, distribution and selling expenses and administrative expenses	3,787,603	3,886,892

7. FINANCE INCOME, NET

	For the year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:		
Interests from bank	<u>71,067</u>	<u>24,782</u>
Finance costs:		
Interest expenses on bank borrowings	(16,289)	(9,730)
Finance costs on lease liabilities	(391)	(694)
Less: borrowing costs capitalized in property, plant and equipment	<u>3,298</u>	<u>4,888</u>
	<u>(13,382)</u>	<u>(5,536)</u>
Finance income, net	<u>57,685</u>	<u>19,246</u>

(a) Capitalized borrowing costs

The capitalization rate used to determine the amount of borrowing costs to be capitalized is 3.97% applicable to the Group's borrowings during the year December 31, 2022 (2021: 3.93%).

8. INCOME TAX EXPENSE

	For the year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Current tax</i>		
Current tax on profits for the year	<u>274,397</u>	<u>277,108</u>
<i>Deferred income tax</i>		
Increase in deferred tax assets	(36,866)	(39,475)
Increase in deferred tax liabilities	<u>23,549</u>	<u>32,270</u>
Total deferred tax expense	<u>(13,317)</u>	<u>(7,205)</u>
Income tax expense	<u>261,080</u>	<u>269,903</u>

(a) Cayman Islands Income Tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and, accordingly, is exempted from local income tax.

(b) British Virgin Islands profit tax

The Company's direct subsidiaries in the British Virgin Islands were incorporated under the BVI Companies Act, 2004 and accordingly, are exempted from British Virgin Islands income tax.

(c) Hong Kong profits tax

No provision for Hong Kong profit tax was provided as the Company. Pursuant to the two-tiered profit tax rates regime, the Group's first HKD2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2022 and 2021 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HKD2 million will continue to be subject to a tax rate of 16.5% for the reporting period.

(d) PRC corporate income tax

Enterprises incorporated in the PRC are subject to income tax rates of 25% throughout the reporting period unless subject to tax exemption set out below.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and are entitled to a preferential corporate income tax rate of 20% during the reporting period.

Certain of the Group's PRC subsidiaries are engaged in agriculture and entitled to the tax exemption on agricultural products.

The income tax provision of the Group has been calculated at the applicable tax rate on the estimated assessable profits for the reporting period based on existing legislations, interpretations and practices.

(e) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after January 1, 2008 are generally subject to a 10% WHT. 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 5%.

As at December 31, 2022, the aggregate undistributed earnings of the Group's subsidiaries incorporated in the PRC are RMB2,889,370,000 (2021: RMB2,114,122,000). As the Company has the ability to control the timing of the distribution from these subsidiaries and it has no intention to distribute such earnings to foreign entities in the foreseeable future, accordingly, despite an assessable temporary difference on such retained earnings exists, no deferred income tax liability has been recognized in the consolidated financial statements.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year

	For the year ended December 31,	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	151,297	826,729
Weighted average number of outstanding ordinary shares (thousands)	<u>2,163,327</u>	<u>2,036,295</u>
Basic earnings per share (RMB)	<u>0.07</u>	<u>0.41</u>

Outstanding ordinary shares that are contingently returnable (i.e. subject to recall) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall.

During the year ended December 31, 2022, an aggregate of 1,765,867 RSUs become vested under the terms and conditions of the RSU Scheme, so the effect of these shares has been taken into account in the calculation of basic earnings per share since the vesting date.

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares during the year.

	For the year ended December 31,	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	151,297	826,729
Weighted average number of outstanding ordinary shares (thousands)	2,163,327	2,036,295
Adjustments for:		
– RSUs (thousands)	<u>5,693</u>	<u>–</u>
Adjusted weighted average number of outstanding ordinary shares for diluted earnings per share (thousands)	<u>2,169,020</u>	<u>2,036,295</u>
Diluted earnings per share (RMB)	<u>0.07</u>	<u>0.41</u>

10. DIVIDENDS

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Dividends declared	–	595,989

A final dividend in respect of the year ended December 31, 2022 of RMB0.12 per share, amounting to a total final dividend of RMB273,928,000 and a special dividend in respect of the year ended December 31, 2022 of RMB0.12 per share, amounting to a total special dividend of RMB273,928,000, are to be proposed at the forthcoming annual general meeting. These financial statements do not reflect these dividend payables.

The dividends declared and paid during the year ended December 31, 2021 was RMB595,989,000.

11. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables:		
Receivables from third parties	66,554	56,552
Loss allowance	(124)	(429)
	<u>66,430</u>	<u>56,123</u>
Other receivables:		
Deposits	10,286	11,234
Proceeds receivable from sale of property, plant and equipment	650	1,400
Loans to third parties (d)	200	400
Receivables from local government	50,000	–
Others	1,771	1,201
Loss allowance	(503)	(474)
	<u>62,404</u>	<u>13,761</u>
Prepayments:		
Prepayments for raw materials	35,335	37,800
Prepayments for services	6,616	42,281
Input VAT recoverable	68,348	159,373
Prepayment for income tax	915	4,946
Prepayments for listing expenses	–	4,723
	<u>111,214</u>	<u>249,123</u>
	<u>240,048</u>	<u>319,007</u>

- (a) Due to the short-term nature of the current receivables, their carrying amount is considered to be approximate their fair value.
- (b) Trade receivables primarily arise from credit sales of products. The Group usually deliver products to distributors after they have made the payment, while for direct sale customers, credit period is granted. The credit terms are generally up to 90 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing. All the trade receivables of the Group are from third parties.

As at December 31, 2022 and 2021, the aging analysis of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	61,842	52,312
91-180 days	4,712	4,240
	<u>66,554</u>	<u>56,552</u>

(c) **Impairment and risk exposure**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables. The loss allowance for trade receivables at amortized cost was not material during the year ended December 31, 2022.

- (d) Loans to third parties were unsecured, interest-free and repaid on demand.

12. TRADE AND OTHER PAYABLES

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables:		
– Third parties	171,462	177,542
– Related parties	15,790	20,350
	<u>187,252</u>	<u>197,892</u>
Other payables:		
Salary and welfare payables	245,048	213,883
Amounts due to related parties	260	260
Deposits payables	88,684	53,667
Freight charges payables	25,270	22,169
Payables for purchase of property, plant and equipment	27,853	49,768
Tax payable	24,791	6,905
VAT payable related to contract liabilities	20,417	17,277
Utilities payables	9,120	9,234
Payables in relation to the Listing	25,668	10,968
Others	35,369	11,832
	<u>502,480</u>	<u>395,963</u>
	<u>689,732</u>	<u>593,855</u>

The aging analysis of the trade payables based on invoice date are as follows:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	<u>187,252</u>	<u>197,892</u>

The carrying amounts of trade and other payables are considered to be approximately their fair values, due to their short-term nature.

CHAIRMAN’S STATEMENT

Dear shareholders,

On behalf of WEILONG Delicious Global Holdings Ltd (“**WEILONG**” or the “**Company**”), I hereby submit to all shareholders the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2022 (the “**Current Year**” or “**2022**”).

In 2022, an extraordinary year for WEILONG, the Group braved the difficulties despite the impact of resurgence of COVID-19 in many provinces in China on our production, supply chain, product delivery and other aspects, and the continuous increase in the prices of raw materials in the first half of this year. In a challenging macroeconomic environment, the Group persisted in its strategic direction, and actively promoted the upgrading of brands, products, channels, supply chain, talents and digitalization, and thus the overall business operation and financial results remained relatively stable. The overall revenue of the Group for the year was RMB4,632.2 million, representing a slight decrease of 3.5% as compared with the year ended December 31, 2021 (the “**Previous Year**” or “**2021**”); gross profit margin was 42.3%, representing an increase of 4.9 percentage points as compared with 37.4% in the Previous Year, and the adjusted net profit was RMB913.1 million, representing an increase of 0.6% as compared with the Previous Year.

In April 2022, the Ministry of Industry and Information Technology of the People’s Republic of China issued the Industry Standards for Seasoned Flour Products (QB/T 5729-2022), which was jointly drafted by the Group, Chinese Institute of Food Science and Technology and other academic institutes and associations. In July 2022, the Group assisted Chinese Institute of Food Science and Technology to hold a seminar on the abovementioned industry standard, which provided guidance for the long-term development of the industry. We expect that the leading enterprises with higher operating standards in the industry will benefit from the constantly improved industry standards and gain more market shares in the future.

Meanwhile, with the opportunity from the publication of the industry standard of seasoned flour products (commonly known as Latiao), the Group also demonstrated the philosophy of credibility of WEILONG products from raw materials, production, quality control, packaging and other aspects through the program “CCTV.Com in the factory”, so as to enhance the image of the Latiao industry among consumers. In addition, the Group launched a series of brand marketing activities, such as the Latiao Festival and the New Year’s Shopping Festival, to convey the philosophy of “credibility” of the brand, so as to continuously enhance the brand image and reputation of the Group.

In 2022, the Group continuously strengthened its research and development, upgraded its main products and product packaging, and focused on new formulas which were non-fried and did not contain sodium cyclamate or trans-fatty acids. The Group introduced a new nitrogen preservation technology, actively expanded the consumption scenarios under the pandemic, and launched sharing packs suitable for family and party scenarios. Meanwhile, the Group continuously reviewed and enriched its product matrix around the strategy of “multiple categories and large single product” to optimize the consumer experience.

In 2022, the Group continuously upgraded its channels. In terms of offline businesses, the Group continuously strengthened its sales team, expanded the coverage of retail points of sale, and improved the execution and service ability of key channels and key stores; in terms of online business, the Group continuously strengthened the coverage over all e-commerce platforms and channels and refined operation; meanwhile, the Company also actively expanded its overseas distribution network.

In 2022, the Group also actively introduced talents and continuously strengthened its core management strength. Meanwhile, the Group also continuously promoted supply chain upgrading, capacity expansion and digital upgrading, so as to comprehensively improve the operation and management efficiency of the Group.

On December 15, 2022, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**” or “**Stock Exchange**”), marking a major milestone in the history of the Group.

Looking forward to the new year, with the relaxation of pandemic prevention and control and the recovery of consumer confidence, the Group is expected to gradually promote the recovery of consumption. The Group will continuously strengthen the brand building, integrate marketing resources and constantly build a brand image that is highly sought-after among young consumers. The Group will continue to focus on major product categories and develop new products, and strengthen product quality and enhance product core competitiveness. The Group will continue to expand its distribution network and improve the coverage and service capabilities of retail points of sale. Meanwhile, we will continuously enhance organizational team building, consolidate the advantages of manufacturing, research and development capacity, and continuously improve the Company’s operating efficiency, so as to create values for shareholders and customers.

LIU Weiping
Chairman of the Board

Hong Kong, China
March 23, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry Environment

In 2022, the Chinese consumer market was significantly disrupted by the frequent and resurgent outbreaks of COVID-19, which not only undermined the stable operation of the supply chain of the food production industry but to some extent curbed the consumption of retail end-consumers. Fortunately, as China effectively stabilized its economy and adjusted and optimized its pandemic prevention policies, China's total retail sales of consumer goods in December 2022 saw a narrower decline² and still recorded an annual economic growth of 3% in 2022. The International Monetary Fund's (IMF) updated its World Economic Outlook issued in January 2023 and significantly raised its forecast for China's economic growth in this year to 5.2%, from the forecast of 0.8% in October last year, saying that with the optimization and adjustment of China's pandemic prevention policies and other factors, the Chinese economy will recover better than expected³ and its domestic consumption and other economic activities will resume growth at a rapid pace.

China is one of the largest snack food markets in the world. According to an independent industry report prepared by Frost & Sullivan (the “**Independent Industry Report**”), the market size of China's snack food industry in terms of retail sales value in 2021 was RMB825.1 billion, with a CAGR of 6.1% from 2016 to 2021. Driven by increasing disposable income, diversifying consumption occasions, continuous upgrade of existing products, introduction of new products and improvement of retail channels, the market size of China's snack food industry is expected to grow at a CAGR of 6.8% from 2021 to 2026 to reach RMB1,147.2 billion in terms of retail sales value by 2026. Despite the adverse impact of the COVID-19 outbreak on the industry in the past few years, China gradually brought the pandemic under control and entered the post-pandemic era, so that all production and trade industries will regain the growth pace and the snack food market in China will usher in a broad growth space.

Among various flavors of snack food, spicy flavor is rooted in the culture of authentic Chinese gourmet and has a long history. Due to the pleasure, decompression and satisfaction brought by spicy flavor, spicy snack food enjoys an increasing popularity among consumers and becomes the fastest growing segment of the snack food industry with tremendous development potential. According to the Independent Industry Report, retail sales value of China's spicy snack food industry is expected to grow at a CAGR of 9.6% from 2021 to 2026 and reach RMB273.7 billion by 2026, while the percentage of spicy snack food in the China's overall snack food industry is expected to continue to grow.

² http://www.stats.gov.cn/tjsj/sjjd/202301/t20230118_1892189.html

³ <http://finance.people.com.cn/BIG5/n1/2023/0202/c1004-32616365.html>

Business Review

In 2022, the Group continued to specialize in turning authentic Chinese gourmet into casual snack food that consumers can enjoy anywhere and anytime. To fulfill our mission of “being a consumer-centric organization”, we continued to enhance research and development capabilities, deepen existing product categories, expand product portfolio, strengthen brand promotion and development, and integrate online and offline resources and expand nationwide sales and distribution network to connect with more consumers and to provide them easy access to our products.

As of the Current Year, our total revenue reached RMB4,632.2 million, representing a slight decrease of approximately 3.5% compared with RMB4,800.2 million in 2021. The Group’s gross profit increased by 9.3% from RMB1,793.0 million in 2021 to RMB1,959.6 million in 2022, and gross profit margin increased from 37.4% in 2021 to 42.3% in 2022. Profit before income tax decreased by 62.4% from RMB1,096.6 million in 2021 to RMB412.4 million in 2022. The Group’s net profit decreased by 81.7% from RMB826.7 million in 2021 to RMB151.3 million in 2022, adjusted net profit increased by 0.6% from RMB907.8 million in 2021 to RMB913.1 million in 2022, and adjusted net profit margin increased from 18.9% in 2021 to 19.7% in 2022.

Our Products

The Group is a leader and pioneer in the spicy snack food industry in China. Leveraging rigorous and in-depth fundamental research and advanced production techniques, the Group continued to expand our product portfolio through years of research and development and innovation to respond to changing market conditions and consumer preferences quickly. The Group adhered to the strategy of “multiple categories and large single product”, which covers seasoned flour products, vegetable products and bean-based and other product categories. Seasoned flour products, also commonly known as Latiao (辣條), primarily comprise Big Latiao (大麵筋), Mini Latiao (小麵筋), Spicy Hot Stick (麻辣棒), Mini Hot Stick (小辣棒) and Kiss Burn (親嘴燒). Vegetable products primarily comprise Konjac Shuang (魔芋爽) and Fengchi Kelp (風吃海帶). Bean-based and other products primarily comprise Soft Tofu Skin (軟豆皮), 78° Braised Egg (78°滷蛋) and meat products. In 2022, two of our product categories each generated over RMB1 billion in annual retail sales value, among which four products each generated over RMB0.5 billion in annual retail sales value.

Our revenue was primarily derived from the sales of seasoned flour products and vegetable products. The following table sets forth a breakdown of our revenue by product categories for the periods indicated:

Product category	Year ended December 31,			
	2022		2021	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Seasoned flour products	2,718,613	58.7	2,918,039	60.8
– Premium packaging products	1,565,813	33.8	1,592,659	33.2
– Classic packaging products	1,152,800	24.9	1,325,380	27.6
Vegetable products	1,693,339	36.6	1,664,120	34.7
Bean-based and other products	220,269	4.7	218,041	4.5
Total	4,632,221	100.0	4,800,200	100.0

Revenue generated from our seasoned flour products decreased by 6.8% from RMB2,918.0 million in 2021 to RMB2,718.6 million in 2022, primarily due to (i) the impact on our production and delivery from the COVID-19 resurgence; and (ii) the temporary impact on sales volume due to the adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to. Revenue from the sales of premium packaging products, both in the absolute amount and as a percentage of total revenue, was higher than that from the sales of classic packaging products in 2022. Our revenue from our seasoned flour products as a percentage of total revenue decreased from 60.8% in 2021 to 58.7% in 2022, reflecting our more diversified product mix following the sales growth of our vegetable products. Our revenue from our vegetable products increased by 1.8% from RMB1,664.1 million in 2021 to RMB1,693.3 million in 2022 and its percentage to our total revenue increased from 34.7% in 2021 to 36.6% in 2022, as the market demand for such products increased and we continued to expand our production capacity for such products in 2022.

The following table sets forth a breakdown of our revenue by product categories for the periods indicated:

		Year ended December 31,	
		2022	2021
Seasoned flour products	ton	150,557.5	193,598.6
	RMB/kg	18.1	15.1
Vegetable products	ton	54,523.5	60,699.3
	RMB/kg	31.1	27.4
Bean-based and other products	ton	6,087.4	7,212.7
	RMB/kg	36.2	30.2

Our sales volume of seasoned flour products and vegetable products decreased from 2021 to 2022, mainly relating to: (i) the impact on our production and delivery from the COVID-19 resurgence; and (ii) the temporary impact on sales volume due to the adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to. Our sales volume of bean-based and other products decreased from 2021 to 2022, primarily due to (i) the impact on our production and delivery from the COVID-19 resurgence; and (ii) our optimization of marketing resource allocation which reduced marketing activities for certain of our bean-based and other products.

Our Customers and Sales Channels

Customers of the Group are primarily offline and online distributors, and to a much lesser extent, individual consumers who purchase from our self-operated online stores. Through in-depth channel building over years, we have a nationwide distribution network that deeply penetrates the Chinese market. As of December 31, 2022, we cooperated with more than 1,847 offline distributors. In addition, as of December 31, 2022, our products were sold through distributors to over 143 national or regional operators for hypermarkets, supermarkets and chained convenience stores.

Meantime, we established our presences in major e-commerce platforms and actively expanded our online business as a complement to our offline channels. Our online channel sales model includes online direct sales and online distribution. In order to support the rapid development of our online sales business, we have a dedicated e-commerce team that analyzes online users and sales data to create a product mix that better suits consumers consumption habits and to continuously improve our online user engagement and back-end service capabilities.

The table below sets out a breakdown of our revenue by sales channels for the periods indicated:

	Year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	% of total revenue	<i>RMB'000</i>	% of total revenue
Offline channels ⁴	4,145,924	89.5	4,246,420	88.5
Online channels	486,297	10.5	553,780	11.5
– Online distribution ⁵	236,727	5.1	302,289	6.3
– Online direct sales ⁶	249,570	5.4	251,491	5.2
Total	<u>4,632,221</u>	<u>100.0</u>	<u>4,800,200</u>	<u>100.0</u>

⁴ Offline channels mainly include distribution through our offline distributors. During the Reporting Period, our revenue generated from offline channels other than offline distributors was immaterial.

⁵ Online distribution refers to the sales model under which we distribute goods to online retailers such as Tmall Supermarket and JD Supermarket, or other online distributors, who then sell our products to consumers.

⁶ Online direct sales refer to the sales model under which we sell products directly to consumers through our self-operated online stores on multiple third-party online platforms, such as Tmall, JD.com, Pinduoduo, Douyin and Kuaishou.

In 2022, our revenue from offline channels contributed a significant portion of our total revenue, and our revenue from offline distributors was partially offset by volume discounts and the co-advertising allowances paid to our offline distributors. Our revenue from offline channels decreased by 2.4% from RMB4,246.4 million in 2021 to RMB4,145.9 million in 2022. Revenue from online channels decreased by 12.2% from RMB553.8 million in 2021 to RMB486.3 million in 2022, of which our revenue from online direct sales slightly decreased by 0.8% from RMB251.5 million in 2021 to RMB249.6 million in 2022 and revenue from online distribution decreased by 21.7% from RMB302.3 million in 2021 to RMB236.7 million in 2022, reflecting the temporary impact on our sales volume due to the price adjustment.

The table below sets forth a breakdown of revenue contribution as a percentage of our total revenue from offline distributors by geographic locations of the offline distributors' registered offices during the periods indicated:

	Year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	% of total revenue	<i>RMB'000</i>	% of total revenue
Eastern China	876,993	21.2	900,102	21.2
Central China	797,083	19.2	867,891	20.4
Northern China	642,391	15.5	690,145	16.3
Southern China	692,216	16.7	708,449	16.7
Southwestern China	488,063	11.8	508,582	12.0
Northwestern China	583,704	14.1	551,455	12.9
Overseas ⁷	65,474	1.5	19,796	0.5
Total	4,145,924	100.0	4,246,420	100.0

We generated relatively balanced revenue from offline distributors in different geographic areas in China. The geographic distribution of our domestic revenue is generally in line with the economic development and population of different regions in China. Revenue generated overseas increased significantly in 2022 due to the initial penetration of our business into overseas markets.

⁷ Revenue contributed overseas is from offline distributors registered overseas.

Our Production Facilities and Capacities

We strive for the advancement of our capabilities in production and quality control. Most of our production lines have achieved automation, and we have implemented strict monitoring of key parameters throughout the production process. We have an electronic control and mechanical design team of more than 25 members, engaged in the research and development (“R&D”) of automated production equipment and systems based on our process requirements. Most of our automation equipment is developed in-house. Meanwhile, we established partnerships with equipment manufacturers to automate our production procedures and upgrade our production facilities. As of December 31, 2022, we had 127 patents related to our production such as material supply, puffing, and cutting.

Through the automation and standardization of production lines, the Group can effectively implement precise quality control and reduce labor and energy costs. Meanwhile, to maximize production efficiency and broaden our product portfolio, the Group also cooperates with reliable OEM suppliers for the production of products that we sell in relatively smaller amount.

As of December 31, 2022, the Group had five plants in Henan, namely Luohe Pingping Plant, Luohe Weilai Plant, Zhumadian Weilai Plant, Luohe Weidao Plant and Luohe Xinglin Plant, of which Luohe Xinglin Plant is under construction and part of the production lines of the plant have already been put into operation.

The tables below set out the details of our designed production capacities, actual production volume, and utilization rates for the periods indicated, by product types and by plants:

Product Segment	Year ended December 31,					
	2022			2021		
	Designed Capacity (ton)	Actual Production (ton)	Utilization Rate	Designed Capacity (ton)	Actual Production (ton)	Utilization Rate
Seasoned flour products	242,422.3	138,447.0	57.1%	261,308.3	179,653.9	68.8%
Vegetable products	84,392.0	54,357.0	64.4%	79,992.0	60,599.3	75.8%
Bean-based and other products	3,257.0	2,609.0	80.1%	5,310.0	4,643.9	87.5%
Total	330,071.3	195,413.0	59.2%	346,610.3	244,897.1	70.7%

In 2022, our designed production capacity for seasoned flour products decreased, primarily due to the upgrade of our key production equipment and the adjustment of some production line planning. Our designed production capacity for vegetable products increased, primarily due to the addition of new production lines in Xinglin Plant. Our designed production capacity for bean-based and other products decreased, primarily due to our cooperation with OEM suppliers for certain bean-based products to improve our overall production efficiency. Our utilization rate decreased compared with 2021, primarily attributable to the temporary impact on sales volume due to the implementation of our price adjustment strategy.

Production Plants	Year ended December 31,					
	2022			2021		
	Designed Capacity (ton)	Actual Production (ton)	Utilization Rate	Designed Capacity (ton)	Actual Production (ton)	Utilization Rate
Luohe Pingping Plant	107,244.7	60,011.3	56.0%	113,484.5	86,365.5	76.1%
Luohe Weilai Plant	57,647.3	37,114.4	64.4%	64,034.7	38,280.9	59.8%
Zhumadian Weilai Plant	57,665.0	23,020.3	39.9%	70,848.6	55,386.5	78.2%
Luohe Weidao Plant	96,204.5	65,073.1	67.6%	98,242.5	64,864.2	66.0%
Luohe Xinglin Plant	11,309.8	10,193.9	90.1%	–	–	–
Total	330,071.3	195,413.0	59.2%	346,610.3	244,897.1	70.7%

Other than Luohe Xinglin Plant, the annualized designed capacity of our Luohe Pingping Plant, Luohe Weilai Plant, Zhumadian Weilai Plant and Luohe Weidao Plant decreased in 2022, mainly relating to (i) the shift of some production lines to Xinglin Plant with higher efficiency; (ii) the adjustment of some product specifications; and (iii) the structural adjustment of some products. Our utilization rate decreased compared with 2021, primarily attributable to the temporary impact on sales volume due to the implementation of our price adjustment strategy.

Our Food Safety and Quality Control

We are a leading snack food company in China, and food safety and quality control are our top priority. Our food safety and quality assurance system cover the entire production process of our products, including steps from procurement, production, storage, distribution to sales. The raw materials and products are tracked by the Group in order to meet customers' requirements and the corresponding legal and regulatory requirements. We set up control points for food safety and quality control in every segment throughout the production process and carefully track and inspect our formulas, raw materials, food additives, and production processes. In order to provide consumers with quality products, the Group established a quality management center which is responsible for food safety management, raw and packaging materials management, production process management and customer service management, as well as food safety and quality assurance systems.

Our Research and Development Capabilities

We adhered to our product development philosophy of “maximizing the intrinsic value of nature with an industrialized approach”. In order to constantly enhance the competitiveness of our products, the Group has been focusing on upgrading and iteration of products, introducing innovative flavors and improving our raw materials. In particular, our R&D model which integrates different teams forms the core of our product development. We built R&D teams in food technology, industrialized production techniques and packaging and preservation technology, pairing technical talents with them to conduct in-depth specialized research. Through close collaboration among teams, we integrate the technologies in each module across multiple product development phases, which significantly improves the success rates of the Group's existing product upgrade and new product launch.

Meanwhile, the Group shares a long-term cooperative relationship with Jiangnan University, a well-known university in the food science industry in China, with which we jointly established a laboratory of food science and technology and developed our talent reserves, to strengthen our edge in product and technology R&D. As of December 31, 2022, the Group have established two application research and development centers, one in Henan and the other in Shanghai, and had a professional research and development team of 75 employees, and approximately 62.7% of whom have postgraduate degrees, with specialties covering food engineering, food safety and nutrition, polymer chemistry, biology, inspection and testing and other fields. Relying on in a variety of research and development activities, we invested in upgrades, renovation and research and development of emerging technologies to meet ever-changing consumer preferences and promote the sustainable growth of sales.

Our Information Technology

2020 marks the first year of WEILONG's digital transformation. Over the past two years, the Group continued to strengthen WEILONG's digital strategy and promote digitalization-related work to improve the quality and efficiency of our business departments. Leveraging information technology, the Group effectively monitored and optimized our management system, sales, production and other processes in 2022. The Group's information system is based on our four major types of infrastructure, including IaaS/PaaS system, three-tier network architecture, data center and hybrid cloud. In addition, we realized a series of functions such as product operation and data management through the complementary application of the ERP system, proprietary sales management system, item-specific serial code information system, automated warehousing recording system, supplier relationship management system, enterprise asset management system, Industrial Internet of Things, piece-wage system, OA process approval system, contract management system, and expense control and reimbursement system.

FINANCIAL REVIEW

The following financial results are extracted from the financial report of the Group prepared in accordance with the IFRS during the Reporting Period:

Revenue and Gross Profit

The Group recorded a revenue of RMB4,632.2 million in the Current Year, representing a slight decrease of 3.5% as compared with RMB4,800.2 million in the Previous Year, primarily due to (i) the impact on our production and delivery from the COVID-19 resurgence; and (ii) the temporary impact on sales volume due to the adjustment resulted from the Group's recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of the Current Year, which took time for the Group's customers to adapt to.

Gross profit of the Group increased by RMB166.6 million from RMB1,793.0 million in the Previous Year to RMB1,959.6 million in the Current Year. Gross profit margin of the Group increased from 37.4% in the Previous Year to 42.3% in the Current Year primarily due to the increase in the average selling prices of the Group's products.

Distribution and Selling Expenses

Distribution and selling expenses of the Group increased by 21.6% from RMB520.6 million in the Previous Year to RMB633.3 million in the Current Year, mainly due to (i) an increase in promotion and advertising expenses from RMB78.7 million in the Previous Year to RMB139.3 million in the Current Year as a result of the increased advertisements placements in outdoor media and online advertising activities, such as live streaming, carried out on e-commerce platforms as well as other online media platforms; (ii) an increase in the employee benefit expenses from RMB220.5 million in the Previous Year to RMB248.7 million (including share-based payment of approximately RMB17.4 million) in the Current Year, primarily due to the continuous expansion of the sales team of the Group; and (iii) an increase in professional fees.

Administrative Expenses

Administrative expenses of the Group increased by 34.1% from RMB359.1 million in the Previous Year to RMB481.7 million in the Current Year, mainly due to an increase in employee benefit expenses and an increase in depreciation and amortization.

Other Income, Net

Other net income of the Group decreased from RMB152.7 million in the Previous Year to RMB107.6 million in the Current Year, primarily due to the decrease in government subsidy.

Other (Losses)/Gains, Net

The Group recorded RMB597.7 million in other losses in the Current Year compared to RMB11.7 million in other gains in the Previous Year, primarily due to the share-based payments related to Pre-IPO Investments in relation to the supplemental share purchase agreement in April 2022 of RMB628.8 million.

Finance Income, Net

Net finance income of the Group increased significantly from RMB19.2 million in the Previous Year to RMB57.7 million in the Current Year, primarily due to an increase in interests from bank.

Income Tax Expense

Income tax expenses of the Group decreased from RMB269.9 million in the Previous Year to RMB261.1 million in the Current Year, which was in line with a decrease of the taxable income of the Group in the Current Year.

Profit for the Year

As a result of the foregoing, profit for the period of the Group decreased from RMB826.7 million in the Previous Year to RMB151.3 million in the Current Year, primarily due to the share-based payments related to Pre-IPO Investments, partially offset by the increase in gross profit of the Group.

Adjusted Net Profit (Non-IFRS Measure) and Adjusted Net Profit Margin (Non-IFRS Measure) for the Year

To supplement the Group's consolidated financial statements that are presented in accordance with IFRS, the Group also use adjusted net profit (Non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. The Group believes that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of the Group's operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as it helped the Group's management. However, the Group's presentation of adjusted net profit (Non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and the investors should not consider it in isolation from, or as a substitute for analysis of, the Group's results of operations or financial conditions as reported under IFRS.

The Group defines adjusted net profit (Non-IFRS measure) as net profit for the year adjusted by adding back share-based payment expenses and listing expenses. The following table reconciles our adjusted net profit (Non-IFRS measure) for the years presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is net profit for the years:

	Year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Reconciliation of net profit to adjusted net profit		
(Non-IFRS measure)		
Profit for the year	151,297	826,729
Add:		
Share-based payment to employees ⁽¹⁾	98,133	50,519
Listing expenses ⁽²⁾	34,852	30,502
Share-based payments related to Pre-IPO Investments ⁽³⁾	628,811	–
Adjusted net profit (Non-IFRS measure)	913,093	907,750

Notes:

- (1) Share-based payment to employees, which is non-cash in nature mainly represents the arrangement that the Group receives services from employees as consideration for equity instruments of the Group.
- (2) Listing expenses mainly relate to the Initial Public Offering.
- (3) Share-based payments related to Pre-IPO Investments refer to the supplemental agreement of share purchase agreement the Company entered into with certain Pre-IPO investors, pursuant to which the Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US\$0.00001 of each share, for a consideration of US\$1,576.2689 in April 2022.

Adjusted net profit (Non-IFRS measure) of the Group for the year increased by 0.6% from RMB907.8 million in the Previous Year to RMB913.1 million in the Current Year, primarily as the result of an increase in gross profit of the Group and adjusted net profit margin (Non-IFRS measure) of the Group increased from 18.9% to 19.7%, for the respective years, primarily in relation to the increase in the average selling price of the Group's products.

Dividends

Based on the Group's overall performance, having accounted for, including but not limited to, surplus, overall financial conditions, capital expenditures of the Group in the Current Year, the Board will propose at the forthcoming annual general meeting of the Company to declare a final dividend (the "**Final Dividend**") of RMB0.12 per share as of the end of Current Year (inclusive of tax, amounting to a total Final Dividend of approximately RMB273.9 million), representing approximately 30% of the adjusted net profit of the Group for the year ended December 31, 2022. Besides, in order to thank investors for the support and trust in the Initial Public Offering of the Company, the Board will propose to declare a special dividend (the "**Special Dividend**") of RMB0.12 per share (inclusive of tax, amounting to a total Special Dividend of approximately RMB273.9 million), representing approximately 30% of the adjusted net profit of the Group for the year ended December 31, 2022. However, the implementation is subject to the approval of the annual general meeting. The dividend is expected to be paid on or about June 30, 2023.

Term Deposits with Initial Term over Three Months, Restricted Cash, Cash and Cash Equivalents and Borrowings

As of the end of Current Year, the sum of term deposits with initial term over three months, restricted cash, cash and cash equivalents of the Group amounted to RMB3,939.3 million, representing an increase of 77.8% as compared with RMB2,215.2 million as of the end of Previous Year, mainly attributable to the proceeds from the Initial Public Offering in December of Current Year and cash generated from operating activities during the Current Year. Borrowings of the Group were RMB460.1 million and RMB161.3 million as of the end of Previous Year and Current Year, respectively. Borrowings of the Group were primarily secured bank loans which the Group obtain for the construction of plants and other operating needs.

Inventories

Inventories of the Group decreased by 0.8% from RMB604.3 million as of the end of Previous Year to RMB599.3 million as of the end of Current Year. Inventory turnover days of the Group increased from 70 days in the Previous Year to 82 days in the Current Year, primarily due to the increased reserve of finished goods before the Chinese New Year in mid of January 2023.

Trade, Other Receivables and Prepayments

Trade receivables of the Group increased from RMB56.1 million as of the end of Previous Year to RMB66.4 million as of the end of Current Year. The turnover days of trade receivables increased from 3.7 days in the Previous Year to 4.9 days in the Current Year.

Other receivables of the Group increased from RMB13.8 million as of the end of Previous Year to RMB62.4 million as of the end of Current Year, primarily due to the increase in receivables from local government.

Prepayments of the Group decreased from RMB249.1 million as of the end of Previous Year to RMB111.2 million as of the end of Current Year, primarily due to decrease in input VAT recoverable.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss of the Group decreased by 52.3% from RMB802.1 million as of the end of Previous Year to RMB382.4 million as of the end of Current Year, because the Group strategically decreased our investment in wealth management and structured deposits products in anticipation of a decrease in return rates of such products.

Trade and Other Payables

Trade payables of the Group decreased by 5.4% from RMB197.9 million as of the end of Previous Year to RMB187.3 million as of the end of Current Year, primarily due to a decrease in payables for purchasing raw materials and packaging materials. The turnover days of trade payables increased from 21 days in the Previous Year to 26 days in the Current Year.

Other payables of the Group increased by 26.9% from RMB396.0 million as of the end of Previous Year to RMB502.5 million as of the end of Current Year, primarily attributable to (i) an increase in salary and welfare payables of the Group; and (ii) an increase in deposits payables primarily referring to deposits from the Group's distributors.

Contract Liabilities

Contract liabilities of the Group increased by 24.7% from RMB180.6 million as of the end of Previous Year to RMB225.3 million as of the end of Current Year, primarily because the distributors placed more orders with the Group at the end of Current Year in anticipation of the Chinese New Year in mid of January 2023.

Gearing Ratio

As of the end of Current Year, the gearing ratio of the Group, which is calculated as total interest-bearing borrowings divided by total equity, was 2.9%, as compared with 12.5% as of the end of Previous Year.

Treasury Policy

The Group adopts a prudent financial management approach for its treasury policy to ensure that the Group's liquidity structure comprising assets, liabilities and other commitments is able to always meet its capital requirements.

FOREIGN EXCHANGE RISK

The Group mainly operates in China with most of the transactions settled in RMB. The functional currency of the subsidiaries in mainland is RMB, while the functional currency of the Company and subsidiaries outside mainland of China is HKD or USD. Both the entities in and outside mainland of China have assets and liabilities, like cash at bank and other major licensed payment institution, restricted cash, term deposits with initial term over three months which are denominated in USD and HKD. Foreign exchange risk arises from the fluctuation in exchange rate. The Group has continued to closely track and manage its exposure to fluctuation in foreign exchange rates confronted by the majority of the Group's deposits denominated in foreign currencies.

CONTINGENT LIABILITIES

As of the end of Previous Year and Current Year, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As of the end of Current Year, the Group had capital commitments for the construction of property, plant and equipment of approximately RMB79.5 million (Previous Year: RMB141.7 million).

PLEDGE OF ASSETS

As of the end of Current Year, the Group has pledged certain land use rights amounting to RMB93.8 million (Previous Year: RMB68.7 million).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investments held, or any material acquisition or disposal of any relevant subsidiaries, associates and joint ventures during the Reporting Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this announcement, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have any existing plan for acquiring other material investments or capital assets.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on December 15, 2022 (the “**Listing Date**”), and the Group has gradually used the proceeds from the Initial Public Offering for the intended purposes set out in the Prospectus from the Listing Date to December 31, 2022.

The net proceeds from the Initial Public Offering of the shares of the Company on the Main Board of the Stock Exchange (after deducting underwriting fees and other related expenses) were approximately HK\$903.3 million. As of December 31, 2022, the Group has utilized total proceeds of approximately HK\$18.2 million for the intended purposes set out in the Prospectus issued by the Company, accounting for 2.0% of all raised funds, and the remaining unutilized proceeds was approximately HK\$885.15 million.

Intended purposes of net proceeds	Net proceeds from the Listing available (HK\$ million)	Actual net amount utilized as of December 31, 2022 (HK\$ million)	Unutilized net amount as of December 31, 2022 (HK\$ million)	Expected timeline for fully utilizing unutilized net amount	Expected timeline as disclosed in the Prospectus
Production facilities and supply chain system	514.90	7.80	507.10	2-3 years	3-5 years
Expanding our sales and distribution network	135.50	0.00	135.50	1 year	3-5 years
Brand building	90.33	10.07	80.26	1 year	3-5 years
Product research and development activities and enhancement of research and development capabilities	90.33	0.31	90.02	1-2 years	3-5 years
Advancing the construction of digitization and intelligence	72.27	0.00	72.27	1-2 years	3-5 years
Total	903.33	18.18	885.15	–	–

Note: Due to rounding, there may be difference between the sum of the individual sub-values and the total amount.

The balance of the proceeds from the Initial Public Offering will continue to be utilized according to the purposes and proportions disclosed in the Prospectus. The expected time for the full use of the proceeds was earlier than disclosed in the Prospectus, which was mainly due to the Group’s reassessment of the business execution plan.

GOING CONCERN

On the basis of current financial projections and financing available, the Group has adequate financial resources to continue its operation in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are carried out primarily in the PRC, while the shares of the Company are listed on the Hong Kong Stock Exchange. The businesses operated by the Group are mainly subject to the laws of PRC and Hong Kong and other relevant jurisdictions. During the year ended December 31, 2022 and as of the date of this announcement, the Group has complied with relevant laws and regulations that have significant impacts on the Group in the applicable jurisdictions. Specifically, as a manufacturer of casual snack food, the Group's operations are subject to the applicable food production, sale and safety laws and regulations, applicable consumer protection laws and regulations and competition law, and applicable environmental protection laws and regulations. In the Current Year, the Group did not have any material non-compliance with such laws and regulations.

HUMAN RESOURCES AND REMUNERATION POLICY

As at December 31, 2022, the total number of employees of the Group was 6,307, and the total annual employee benefits (including directors' remuneration) amounted to RMB853.0 million. We always believe that the Group's long-term growth depends on the expertise and capability of our employees. We proactively optimize the talent selection and cultivation system in order to improve the general competitiveness of our employees and their sense of belongings to the Group.

The remuneration and benefits for employees of the Group are determined with reference to the market standards as well as individual qualification and capability, and performance bonus and other incentive systems are established. Performance bonuses are paid based on the Group's revenue and profit targets, as well as the performance of the organization in which the employee works and the performance of the individual employee, and to recognize and encourage outstanding contributions made by organizations and employees to the Group's business. Our overall remuneration policy is competitive.

In order to incentivize and reward our directors, members of senior management and other employees who have contributed to the development of the Group, the restricted share unit scheme (the "**RSU Scheme**") was approved and adopted by the Board on January 1, 2021 (the "**Date of Adoption**"). The RSU Scheme shall be valid and effective for the period of ten (10) years commencing on the Date of Adoption.

For details of the Employee Incentive Scheme, please refer to the Prospectus of the Company dated December 5, 2022 published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.weilongshipin.com).

The details of the incentive shares granted to the employees under the grant proposal will be published in the 2022 annual report of the Company, which is expected to be announced by the end of April 2023.

OUTLOOK

In line with the mission “to let the world fall in love with Chinese flavors”, the value of “being a consumer-centric and innovation-driven organization”, and the vision to “make authentic Chinese gourmet more entertaining, casual, convenient and affordable, embrace digital-intelligentization and ultimately build a great business that brings joy and happiness to people for 123 years”, we continue to become a leading consumer-centric company in the spicy snack food industry. Looking forward to the future, the Group will continue to expand product categories and improve product quality to enhance the core competency of our products; continue to be devoted to brand building and enhance user engagement through entertaining brand marketing activities for young consumers and in-depth online content marketing; and spare no effort in increasing the breadth and depth of our distribution network based on our existing omni-channel distribution network, and promote the establishment of emerging online cooperation channels and overseas distribution networks through expanding our extensive geographical presence, so as to further optimize the distribution channels and enhance related management capabilities.

Meantime, in order to achieve our goal of “interconnection and digital-intelligentization of all business processes”, the Group will continue to implement the digital-intelligentization of our business to further enhance our overall operating efficiency. Finally, we will strive to enhance our manufacturing capability and R&D capabilities to maintain our leading market position, and to improve our brand image and build a mechanism to rapidly respond to the market demand. The Group will leverage our position as a listing company on the Main Board of the Hong Kong Stock Exchange and capitalize on the unique financial resources of the Hong Kong international capital market to empower the development of the Group in the Chinese mainland and overseas markets and embark on a broader development journey in the future. The Group will continue to seek for changes and firmly forge ahead to create more contributions for our customers, shareholders, investors, employees and the society.

DIVIDEND

Relevant resolution has been passed at a meeting of the Board held on March 23, 2023, and the Board proposed the distribution of a Final Dividend of RMB0.12 (tax inclusive) per share for the year ended December 31, 2022, with a total amount of approximately RMB273.9 million, and a Special Dividend of RMB0.12 (tax inclusive) per share, with a total amount of approximately RMB273.9 million. The distribution of such Final Dividend and Special Dividend is subject to approval by shareholders of the Company at the annual general meeting. The dividend is expected to be paid on or about June 30, 2023.

The Company will not be liable for any claim or dispute over the withholding mechanism arising from any delay in, or inaccurate determination of the status of the shareholders. The Board is not aware of any shareholders who have waived or agreed to waive any dividend.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Distribution of dividends is subject to the discretion of our Board and, if necessary, the approval of our shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial conditions, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

Subject to applicable laws and regulations, our dividend policy is to distribute to our shareholders no less than 25% of our distributable profits for any particular year after the Listing. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that the Company and our subsidiaries have entered into or may enter into in the future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will depend on the availability of dividends received from our subsidiaries and other reserves lawfully available for distribution. Our shareholders may approve any declaration of dividends in a general meeting, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

SUBSEQUENT SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The Board is not aware of any material event requiring disclosure, that has taken place subsequent to December 31, 2022 and up to the date of this announcement.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As of the Current Year, none of the Company or its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

As of December 31, 2022 and the date of this announcement, the Audit Committee of the Company consists of three independent non-executive directors, namely Mr. ZHANG Bihong, Ms. XU Lili and Ms. XING Dongmei. Mr. ZHANG Bihong currently serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to inspect, review and supervise financial data and reporting process for financial data of the Company. The Audit Committee has reviewed the consolidated annual results of the Group for the year ended December 31, 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in this preliminary results announcement have been agreed by the Company's independent auditor, PricewaterhouseCoopers, based on the amounts set out in the audited consolidated financial statements of the Group for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Company is committed to the best practices on corporate governance. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules, and had complied with all applicable code provisions as set out in the CG Code of the Company during the period from the Listing Date to December 31, 2022.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

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 code of conduct regarding the directors' dealings in the securities of the Company.

After making specific enquires with all directors, all of them confirmed that they had complied with the provisions set out in the Model Code from the Listing Date to December 31, 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<https://www.weilongshipin.com>), and the 2022 annual report of the Company will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
WEILONG Delicious Global Holdings Ltd
LIU Weiping
Chairman

Hong Kong, March 23, 2023

As of the date of this announcement, the executive Directors are Mr. LIU Weiping, Mr. LIU Fuping, Mr. SUN Yinong, Mr. PENG Hongzhi, Mr. LIU Zhongsi and Mr. CHEN Lin, and the independent non-executive Directors are Ms. XU Lili, Mr. ZHANG Bihong and Ms. XING Dongmei.