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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

2023 Interim Results Highlights

- Total revenue was RMB2,327.3 million, representing a year-on-year increase of 3.0%;
- Gross profit was RMB1,106.2 million, representing a year-on-year increase of 28.4%;
- Gross profit margin was 47.5%, representing a year-on-year increase of 9.4 percentage points;
- Profit for the period was RMB447.1 million, representing a year-on-year increase of 271.4%;
- Adjusted net profit[1] for the period was RMB497.0 million, representing a year-on-year increase of 17.0%;
- Adjusted basic earnings per share were RMB0.22, representing a year-on-year increase of 3.9%;
- Proposed Interim Dividend per ordinary share was RMB0.12.

[1] To supplement the interim condensed consolidated financial information 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 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 (the "**Board**") of directors (the "**Directors**") of WEILONG Delicious Global Holdings Ltd (the "**Company**" or "**WEILONG**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2023 (the "**Reporting Period**") prepared in accordance with the International Financial Reporting Standards (the "**IFRS**"), together with the comparative figures for the corresponding period ended June 30, 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2023

	Notes	**2023** ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
Revenue from contracts with customers	*3*	**2,327,279**	2,260,529
Cost of sales of goods	*3, 4*	**(1,221,077)**	(1,398,981)
Gross profit		**1,106,202**	861,548
Distribution and selling expenses	*4*	**(367,183)**	(269,487)
Administrative expenses	*4*	**(219,197)**	(220,704)
Net impairment (losses)/gains on financial assets		**(112)**	343
Other income, net		**25,464**	59,909
Other gains/(losses), net		**16,038**	(598,655)
Operating profit/(loss)		**561,212**	(167,046)
Finance income		**93,025**	31,704
Finance costs		**(6,668)**	(7,971)
Finance income, net		**86,357**	23,733
Profit/(loss) before income tax		**647,569**	(143,313)
Income tax expense	*5*	**(200,499)**	(117,517)
Profit/(loss) for the period		**447,070**	(260,830)
Profit/(loss) is attributable to:			
– Owners of the Company		**447,070**	(260,830)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (RMB)			
Basic earnings/(loss) per share	*6*	**0.19**	(0.13)
Diluted earnings/(loss) per share	*6*	**0.19**	(0.13)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2023

	2023 *RMB'000* (Unaudited)	2022 *RMB'000* (Unaudited)
Profit/(loss) for the period	**447,070**	(260,830)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(3,038)**	(8,090)
Items that may not be reclassified to profit or loss:		
Exchange differences on translation of the Company	**71,822**	57,152
Other comprehensive income for the period, net of tax	**68,784**	49,062
Total comprehensive income/(loss) for the period	**515,854**	(211,768)
Total comprehensive income/(loss) for the period is attributable to:		
– Owners of the Company	**515,854**	(211,768)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

	Note	**June 30, 2023** **RMB'000** **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**1,127,272**	1,127,556
Right-of-use assets		**538,036**	533,705
Intangible assets		**20,440**	21,445
Term deposits with initial term over three months		**2,129,615**	1,603,886
Deferred income tax assets		**35,258**	68,827
Other non-current assets		**14,187**	17,730
Total non-current assets		**3,864,808**	3,373,149
Current assets			
Trade, other receivables and prepayments	*8*	**166,508**	240,048
Inventories		**433,512**	599,263
Financial assets at fair value through profit or loss		**205,785**	382,440
Term deposits with initial term over three months		**1,802,441**	1,020,982
Cash and cash equivalents		**774,456**	1,314,453
Total current assets		**3,382,702**	3,557,186
Total assets		**7,247,510**	6,930,335

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
June 30, 2023

	Note	**June 30, 2023** *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Borrowings		**172,410**	161,180
Lease liabilities		**9,656**	1,966
Deferred income		**195,319**	196,033
Deferred tax liabilities		**56,138**	46,498
Total non-current liabilities		**433,523**	405,677
Current liabilities			
Trade and other payables	*9*	**1,086,097**	689,732
Contract liabilities		**151,745**	225,261
Current income tax liabilities		**44,044**	81,795
Borrowings		**1,890**	120
Lease liabilities		**4,771**	3,338
Total current liabilities		**1,288,547**	1,000,246
Total liabilities		**1,722,070**	1,405,923
Net assets		**5,525,440**	5,524,412
Equity			
Share capital		**155**	155
Other reserves		**2,779,967**	3,226,009
Retained earnings		**2,745,318**	2,298,248
Equity attributable to owners of the Company		**5,525,440**	5,524,412
Total equity		**5,525,440**	5,524,412
Total equity and liabilities		**7,247,510**	6,930,335

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed consolidated financial information are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since January 1, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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, Kiss Burn and Mala Mala.
- Vegetable products, primarily comprising Konjac Shuang and Fengchi Kelp.
- Bean-based and other products, primarily comprising Soft Tofu Skin, 78° Braised egg and others.

The chief operating decision-maker ("**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.

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

Six months ended June 30, 2023

	Seasoned flour products *RMB'000* **(Unaudited)**	**Vegetable products** *RMB'000* **(Unaudited)**	**Bean-based and other products** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Revenue	**1,288,892**	**933,195**	**105,192**	**2,327,279**
Cost of sales	**(704,225)**	**(450,437)**	**(66,415)**	**(1,221,077)**
Gross profit	**584,667**	**482,758**	**38,777**	**1,106,202**

Six months ended June 30, 2022

	Seasoned flour products *RMB'000* (Unaudited)	Vegetable products *RMB'000* (Unaudited)	Bean-based and other products *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue	1,341,422	817,624	101,483	2,260,529
Cost of sales	(874,409)	(464,063)	(60,509)	(1,398,981)
Gross profit	467,013	353,561	40,974	861,548

(a) Geographical information

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

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
In PRC	**2,282,282**	2,235,382
Overseas	**44,997**	25,147
	2,327,279	2,260,529

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

(b) Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each of the six months ended June 30, 2023 and 2022.

(c) An analysis of revenue is as follows:

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**2,327,279**	2,260,529

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 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.

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

4. EXPENSE BY NATURE

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Consumption of raw materials	**897,508**	1,116,852
Changes in inventories of finished goods, semi-finished goods, and goods in transit	**51,943**	22,800
Employee benefit expenses	**476,513**	396,798
Transportation expenses	**73,797**	76,429
Utilities	**45,530**	44,805
Promotion and advertising expenses	**89,884**	36,929
Other tax expenses	**20,567**	14,812
Depreciation and amortization	**64,626**	64,246
Travelling expenses	**20,180**	12,953
Repairs and maintenance	**14,751**	13,194
Office expenses	**20,748**	18,070
Listing expenses	**–**	7,804
Auditor's remuneration		
– Audit services	**1,359**	89
Expense relating to short-term leases	**8,147**	5,191
Others	**21,904**	58,200
Total cost of sales of goods, distribution and selling expenses and administrative expenses	**1,807,457**	1,889,172

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Current tax on profits for the period	**157,290**	141,614
Deferred income tax		
Decrease/(increase) in deferred tax assets	**26,706**	(37,662)
Increase in deferred tax liabilities	**16,503**	13,565
Total deferred tax expense/(credit)	**43,209**	(24,097)
Income tax expense	**200,499**	117,517

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

6. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 period.

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**447,070**	(260,830)
Weighted average number of outstanding ordinary shares *(thousands)*	**2,309,544**	2,051,223
Basic earnings/(loss) per share *(RMB)*	**0.19**	(0.13)

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.

(b) Diluted

Diluted earnings/(loss) per share is calculated based on the profit/(loss) 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 period.

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**447,070**	(260,830)
Weighted average number of outstanding ordinary shares *(thousands)*	**2,309,544**	2,051,223
Adjustments for:		
– RSUs *(thousands)*	**4,525**	–
Adjusted weighted average number of outstanding ordinary shares for diluted earnings per share *(thousands)*	**2,314,069**	2,051,223
Diluted earnings/(loss) per share *(RMB)*	**0.19**	(0.13)

7. DIVIDENDS

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final and special dividends declared	**564,276**	–

On June 28, 2023, the Company's shareholders approved a profit distribution plan at an annual general meeting, pursuant to which a final dividend in respect of the year ended December 31, 2022 of RMB0.12 per share, amounting to a total final dividend of RMB282,138,000, 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 RMB282,138,000, were declared to all shareholders.

An interim dividend in respect of the six months ended June 30, 2023 of RMB0.12 per share, amounting to a total interim dividend of approximately RMB282,138,000, representing approximately 60% of the net profit of the Group for the six months ended June 30, 2023, was declared by the Company's board of directors at the board meeting held on August 29, 2023. The interim condensed consolidated financial information do not reflect these dividend payables.

8. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Trade receivables:		
Receivables from third parties	**34,749**	66,554
Loss allowance	**(236)**	(124)
	34,513	66,430
Other receivables:		
Deposits	**9,654**	10,286
Proceeds receivable from sale of property, plant and equipment	**656**	650
Loans to third parties	**–**	200
Receivables from local government	**30,000**	50,000
Others	**1,242**	1,771
Loss allowance	**(503)**	(503)
	41,049	62,404
Prepayments:		
Prepayments for raw materials	**17,577**	35,335
Prepayments for services	**22,989**	6,616
Input VAT recoverable	**46,100**	68,348
Prepayment for income tax	**4,280**	915
	90,946	111,214
	166,508	240,048

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.

As at June 30, 2023 and December 31, 2022, the aging analysis of the trade receivables based on invoice date were as follows:

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Trade receivables:		
Within 90 days	**34,662**	61,842
91-180 days	**87**	4,712
	34,749	66,554

9. TRADE AND OTHER PAYABLES

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Trade payables:		
– Third parties	**96,492**	171,462
– Related parties	**4,906**	15,790
	101,398	187,252
Other payables:		
Salary and welfare payables	**233,196**	245,048
Amounts due to a related party	**260**	260
Deposits payables	**89,724**	88,684
Freight charges payables	**15,983**	25,270
Payables for purchase of property, plant and equipment	**20,947**	27,853
Tax payable	**11,770**	24,791
VAT payable related to contract liabilities	**10,328**	20,417
Utilities payables	**7,469**	9,120
Payables in relation to the listing	**–**	25,668
Others	**30,746**	35,369
Dividends payable	**564,276**	–
	984,699	502,480
	1,086,097	689,732

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

	June 30, 2023 *RMB'000* **(Unaudited)**	December 31, 2022 *RMB'000* (Audited)
Trade payables:		
Within 90 days	**101,398**	187,252

10. EVENTS AFTER THE REPORTING PERIODS

An interim dividend of RMB0.12 per share for the six months ended June 30, 2023, equivalent to an aggregate of approximately RMB282,138,000, representing approximately 60% of the net profit of the Group for the six months ended June 30, 2023, was declared by the Company's board of directors at the board meeting held on August 29, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry Environment

Looking back at the first half of 2023, China's GDP grew by 5.5% year-on-year, up 1.0 percentage point from the growth rate in the first quarter of this year[2]. From the demand perspective, as the impact of the Covid-19 gradually wanes, the consumption scenarios are constantly improving, and the consumption conditions are constantly getting better. China's economy is steadily recovering and returning to normal operations.

According to *Research Report on the Current Situation and Consumer Behavior Data of China's Casual Snack Food Industry from 2023 to 2024* (the "**Report**")[3] recently released by iiMedia Consulting, the market size of China's casual snack food industry continued to grow from RMB410.0 billion to RMB1,165.4 billion from 2010 to 2022. It is expected that the market size of China's casual snack food industry would reach RMB1,237.8 billion in 2027. However, the Report also mentioned that casual snack food would shift from a rapidly increasing market to a slightly increasing market, and the market for casual snack food will become more competitive in the future.

China is one of the largest casual snack food markets in the world, with a large market size but fragmented competitive landscape. The casual snack food market has experienced changes brought about by the Covid-19 in the past few years, especially in terms of sales channels, whether offline or online, consumption traffic is showing a diversified trend. Recently, the emerging snacks specialty retailers have expanded rapidly with "low unit price, diverse categories, pleasant environment and close proximity", successfully gained the favor of many consumers in a short period of time, further influencing the operational ecology of casual snack food industry. Looking back the Reporting Period, the quick rise of snacks specialty retailers across China has not only triggered fierce competition in consumption patterns, but also brought a new round of opportunities for the future development of the casual snack food industry.

Business Review

During the first half of 2023, 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 and innovation-driven organization", we continued to enhance research and development ("**R&D**") capabilities, intensively cultivate existing product categories, expand product portfolio and strengthen brand promotion. In addition to integrating online and offline resources, the Group also expanded nationwide sales and distribution network as well as actively explored the business model of snacks specialty retailers suitable for the Group, so as to establish closer connections with consumers and to provide them easier access to our products.

2 http://www.stats.gov.cn/sj/zxfb/202307/t20230715_1941271.html
3 https://www.iimedia.cn/c400/93207.html

Looking back the Reporting Period, the Group recorded a revenue of RMB2,327.3 million, representing an increase of 3.0% as compared with RMB2,260.5 million in the corresponding period of the year ended December 31, 2022 (the "**Previous Year**"), primarily due to (i) the Group made structure adjustments to its main products and upgraded its operations in the Previous Year, initial results in the Reporting Period have been achieved due to these adjustments and upgrades; (ii) a drop in the consumer flow of offline traditional channels and channels of hypermarkets and supermarkets during the Reporting Period; and (iii) an increase in the average selling price resulted from the Group's structural adjustment of main products in the Previous Year was partially offset by a decrease in the sales volume of the products. Gross profit of the Group in the Reporting Period increased by 28.4% from RMB861.5 million in the corresponding period of Previous Year to RMB1,106.2 million, gross profit margin of the Group in the Reporting Period increased from 38.1% in the corresponding period of Previous Year by 9.4 percentage points to 47.5%, mainly due to (i) an increase in the average selling price resulted from the Group's structural adjustment of main products in the Previous Year; (ii) a decrease in the price of raw materials during the Reporting Period; and (iii) the optimization of the Group's cost management by streamlining production process continuously. The Group's net profit increased from a loss of RMB260.8 million in the corresponding period of Previous Year to a net profit of RMB447.1 million during the Reporting Period, primarily due to the share-based payments related to Pre-IPO Investments in the corresponding period of Previous Year as well as an increase in gross profit of the Group during the Reporting Period. The Group's adjusted net profit increased by 17.0% from RMB424.9 million in the corresponding period of Previous Year to RMB497.0 million during the Reporting Period, and adjusted net profit margin increased from 18.8% in the corresponding period of Previous Year to 21.4% during the Reporting Period, primarily due to the increase of gross profit.

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 its product portfolio through years of R&D 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), Kiss Burn (親嘴燒) and Mala Mala (麻辣麻辣). 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 others.

During the Reporting Period, 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	**For the six months ended June 30,**			
	2023		2022	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Seasoned flour products	**1,288,892**	**55.4%**	1,341,422	59.3%
– Premium packaging products	**736,761**	**31.7%**	780,306	34.5%
– Classic packaging products	**552,131**	**23.7%**	561,116	24.8%
Vegetable products	**933,195**	**40.1%**	817,624	36.2%
Bean-based and other products	**105,192**	**4.5%**	101,483	4.5%
Total	**2,327,279**	**100.0%**	2,260,529	100.0%

Revenue generated from our seasoned flour products decreased by 3.9% from RMB1,341.4 million in the corresponding period of Previous Year to RMB1,288.9 million in the Reporting Period, primarily due to (i) we adjusted the main product structure and eliminated some such products with low prices in May last year; and (ii) a drop in the consumer flow of main offline traditional channels and channels of hypermarkets and supermarkets during the Reporting Period. 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 the Reporting Period. Revenue from our seasoned flour products as a percentage of total revenue decreased from 59.3% in the corresponding period of Previous Year to 55.4% in the Reporting Period, reflecting our more diversified product portfolio following the sales growth of our vegetable products.

Revenue from our vegetable products increased by 14.1% from RMB817.6 million in the corresponding period of Previous Year to RMB933.2 million in the Reporting Period and its percentage to our total revenue increased from 36.2% in the corresponding period of Previous Year to 40.1% in the Reporting Period, reflecting that although the consumer flow of offline traditional channels and channels of hypermarkets and supermarkets decreased, the impact of sales volume of the Group due to the adjustment of the structure of such products has basically recovered and the market demand for our vegetable products is promising.

Revenue from our bean-based and other products increased by 3.7% from RMB101.5 million in the corresponding period of Previous Year to RMB105.2 million in the Reporting Period and its percentage to our total revenue was unchanged as 4.5% in the corresponding period of Previous Year and the Reporting Period due to the growth of market demand for our braised eggs.

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

		For the six months ended June 30,	
		2023	2022
Seasoned flour products	*ton*	**62,030**	81,589
	RMB/kg	**20.8**	16.4
Vegetable products	*ton*	**27,361**	27,861
	RMB/kg	**34.1**	29.3
Bean-based and other products	*ton*	**2,647**	2,943
	RMB/kg	**39.7**	34.4

Our sales volume of seasoned flour products in the Reporting Period decreased by 24.0% from the corresponding period of Previous Year, mainly relating to (i) the adjustment of the main product structure and elimination of some such products with low prices in May last year; and (ii) a drop in the consumer flow of offline traditional channels and channels of hypermarkets and supermarkets during the Reporting Period. Our sales volume of vegetable products in the Reporting Period slightly decreased by 1.8% from the corresponding period of Previous Year, reflecting the impact from the structural adjustment of such products has been basically recovered. Besides, our sales volume of bean-based and other products decreased by 10.1% in the Reporting Period from the corresponding period of Previous Year, primarily due to our optimization of marketing resource allocation, which reduced marketing activities for certain of our bean-based products.

Our Customers and Sales Channels

Customers of the Group are primarily offline and online distributors, and to a 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 June 30, 2023, we cooperated with 1,838 offline distributors. In addition, as of June 30, 2023, our products were sold through distributors to 143 national or regional operators for hypermarkets, supermarkets and chained convenience stores.

In the 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 portfolio that better suits consumption habits of consumers and to continuously improve our online user engagement and back-end service capabilities.

In recent years, snacks specialty retailers have become increasingly popular with some consumers. The Group believes that the pace of living and consumption attitudes of some consumers are gradually changing. With the characteristics including convenient purchase and affordable price, snacks specialty retailers can meet the strong immediate consumption demand of some consumers. Therefore, during the Reporting Period, the Group actively launched customized products targeting this new channel of snacks specialty retailing in the hope of seizing the development opportunities brought by such new channel more effectively.

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

	For the six months ended June 30,			
	2023		2022	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Offline channels[4]	**2,065,162**	**88.7%**	2,021,169	89.4%
Online channels	**262,117**	**11.3%**	239,360	10.6%
– Online distribution[5]	**96,705**	**4.2%**	117,861	5.2%
– Online direct sales[6]	**165,412**	**7.1%**	121,499	5.4%
Total	**2,327,279**	**100.0%**	2,260,529	100.0%

In the Reporting Period, 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 slightly increased by 2.2% from RMB2,021.2 million in the corresponding period of Previous Year to RMB2,065.2 million in the Reporting Period, reflecting the impact from the drop in the consumer flow of main offline traditional channels and channels of hypermarkets and supermarkets during the Reporting Period and the structural adjustment of the Previous Year of our main products of the Group. Revenue from online channels increased by 9.5% from RMB239.4 million in the corresponding period of Previous Year to RMB262.1 million in the Reporting Period, of which our revenue from online distribution decreased by 17.9% from RMB117.9 million in the corresponding period of Previous Year to RMB96.7 million in the Reporting Period and our revenue from online direct sales increased by 36.1% from RMB121.5 million in the corresponding period of Previous Year to RMB165.4 million in the Reporting Period, reflecting that the Group closely follows the traffic change trend of online platforms and actively captures the revenue growth opportunities brought by various online traffic ports.

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.

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:

	For the six months ended June 30,			
	2023		2022	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Eastern China	**460,474**	**22.3%**	435,463	21.6%
Central China	**373,145**	**18.1%**	385,760	19.1%
Northern China	**306,472**	**14.8%**	314,310	15.6%
Southern China	**355,937**	**17.2%**	349,269	17.3%
Southwestern China	**256,745**	**12.4%**	247,041	12.2%
Northwestern China	**267,392**	**13.0%**	264,079	13.0%
Overseas[7]	**44,997**	**2.2%**	25,147	1.2%
Total	**2,065,162**	**100.0%**	2,021,069	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 the Reporting Period due to the active expansion of our business into overseas markets, compared with the corresponding period of Previous Year.

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 17 members, engaged in the 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 June 30, 2023, we had 110 patents related to our production such as material supply, puffing and cutting.

Through the automation and standardization of production lines, the Group effectively implements precise quality control and reduces 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 volume.

[7] Revenue contributed overseas is from offline distributors registered overseas.

As of June 30, 2023, the Group had five plants in Henan Province, 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 capacity, actual production, and utilization rates for the periods indicated, by product types and by plants:

	For the six months ended June 30,					
	2023			2022		
Type of Products	**Designed Production Capacity** *(ton)*	**Actual Production** *(ton)*	**Utilization Rate**	Designed Production Capacity *(ton)*	Actual Production *(ton)*	Utilization Rate
Seasoned flour products	**117,984.9**	**56,053.8**	**47.5%**	107,773.3	75,497.1	70.1%
Vegetable products	**48,114.0**	**26,552.0**	**55.2%**	38,214.0	26,809.9	70.2%
Bean-based and other products	**2,204.0**	**1,314.0**	**59.6%**	1,545.8	1,192.5	77.1%
Total	**168,302.9**	**83,919.8**	**49.9%**	147,533.1	103,499.5	70.2%

During the Reporting Period, our designed production capacity for seasoned flour products increased compared with the corresponding period of Previous Year, primarily due to the planning adjustment of some production lines. Our designed production capacity for vegetable products increased, primarily due to the addition of new production lines in Luohe Xinglin Plant. Our designed production capacity for bean-based and other products increased, primarily due to the addition of production lines in Luohe Xinglin Plant for braised egg products. Our utilization rate in the Reporting Period decreased compared with the corresponding period of Previous Year, primarily attributable to (i) the impact from the drop in the consumer flow of offline traditional channels and channels of hypermarkets and supermarkets; and (ii) the sales volume impact from the increase in the average selling price resulted from the structural adjustment of our main products.

	For the six months ended June 30,					
	2023			2022		
Production Plants	**Designed Production Capacity** *(ton)*	**Actual Production** *(ton)*	**Utilization Rate**	Designed Production Capacity *(ton)*	Actual Production *(ton)*	Utilization Rate
Luohe Pingping Plant	**48,465.1**	**22,456.9**	**46.3%**	52,696.9	34,292.0	65.1%
Luohe Weilai Plant	**29,053.8**	**16,033.4**	**55.2%**	28,278.6	18,382.6	65.0%
Zhumadian Weilai Plant	**32,207.0**	**10,115.1**	**31.4%**	18,354.1	14,557.8	79.3%
Luohe Weidao Plant	**44,346.1**	**24,800.5**	**55.9%**	48,203.5	34,202.7	71.0%
Luohe Xinglin Plant	**14,230.9**	**10,513.9**	**73.9%**	N/A	2,064.4	N/A
Total	**168,302.9**	**83,919.8**	**49.9%**	147,533.1	103,499.5	70.2%

During the Reporting Period, the changes for the annualized designed production capacity among our plants were mainly relating to (i) the shift of some production lines to Luohe Xinglin Plant with higher efficiency; (ii) the adjustment of some product specifications; and (iii) the adjustment of some production lines for some products. Our utilization rate in the Reporting Period decreased compared with the corresponding period of Previous Year, primarily attributable to (i) the impact from the drop in the consumer flow of offline traditional channels and channels of hypermarkets and supermarkets; and (ii) the sales volume impact from the increase in the average selling price resulted from the structural adjustment of our products.

Our Food Safety and Quality Control

As one of the leading snack food enterprises in China, food safety and quality control is fundamental to the survival of the enterprise. The Group is continuously strengthening food quality and safety management, and is committed to establishing a sound food safety and quality assurance system of the whole chain and the whole product life cycle.

The system covers the whole process of production, covering R&D, procurement, manufacturing, storage, distribution to sales and other links. Throughout the production process, the entire production process can be controllable by using the HACCP hazard analysis and critical control points. In terms of product inspection and release, "*Product Inspection and Release Control Procedures*" are strictly implemented; in terms of detection capacity, HPLC-MS, GC-MS, ICP-MS and other high-end detection equipments are applied to strictly monitor the food additives, heavy metals and other indicators; in terms of risk management, advance prevention is carried out through the "*Food Safety Information Collection and Early Warning*", "*Food Safety Monitoring and Risk assessment norms*", "*Food Safety Self-inspection Management System*" and other systems.

The Group has set up a quality management center, which is mainly responsible for food safety management, raw materials and packaging materials management, production process management, customer service management and food safety and quality assurance, and strives to build a closed-loop management system of source control, production control, strict certification control and after-sales control, so as to provide consumers with the best quality products.

Our R&D Capabilities

The Group always adheres to its product R&D 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 existing products and launching new products. In particular, the modularized R&D model which integrates different teams forms the core of our product development. The Group built R&D teams in food technology, industrialized production techniques and packaging and preservation technology, pairing technical talents to conduct in-depth specialized research. Through close collaboration among teams, the Group integrated the technologies in each module across multiple product development phases, which significantly improves the success probabilities of the Group's existing product upgrade and new product launch.

The Group has also established long-term cooperative relationships with top universities in the domestic food science industry to jointly build the industrialization demonstration base of the food engineering technology research center and developed our talent reserves to strengthen our edge in product and technology R&D. As of June 30, 2023, the Group have established two application R&D centers, one in Henan and the other in Shanghai, and had a professional R&D team of 61 employees, approximately 63.9% 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 various R&D activities, we invested in upgrades, renovation and R&D of emerging technologies to meet ever-changing consumer preferences and promote the sustainable growth of sales.

Our Information Technology

The Group continued to strengthen WEILONG's digital strategy and promote digitalization-related work continuously to improve the quality and efficiency of its business departments. Leveraging the good foundation of information technology, the Group effectively monitored and optimized its management system, procurement, sales, production and other processes. The Group's information system is based on its four major types of infrastructure, including IaaS/PaaS system, three-tier network architecture, data center and hybrid cloud. In addition, the Group 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, storage and transportation system, supplier relationship management system, enterprise asset management system, Industrial Internet of Things, piece-wage system, OA process approval system, and expense control and reimbursement system.

Looking back the Reporting Period, the Group continued to promote the construction of the sales management system so as to enable us quickly expand the market, improve the points of sales (the "**POS**") coverage and operation efficiency and further enhance the quality of the POS management and control. At the same time, the Group continued to build an agile and responsive supply chain system, and promoted the smart manufacturing base management system, equipment management system and production execution and control system from some well-run testing manufacturing bases to other manufacturing bases in order to improve the overall efficiency. In addition, the Group continued to promote process standardization and streamline the end-to-end business process, especially the sorting and optimization of the distributors' lifecycle management process, procurement management process, and new product R&D process, to eliminate bottlenecks in the business flow, simplify unnecessary process steps, increase risk control points, and drive business operations more efficiently with procedures. Besides, we are also continuously advancing ERP system project, supplier collaboration management system project, e-commerce middle platform project and Industrial Internet of Things project and other projects to empower our business comprehensively and enhance the enterprise operational efficiency.

FINANCIAL REVIEW

Revenue and Gross Profit

During the Reporting Period, the Group recorded a revenue of RMB2,327.3 million, representing an increase of 3.0% as compared with RMB2,260.5 million in the first half of Previous Year, primarily due to (i) the Group made structural adjustments to its main products and upgraded its operations in the Previous Year, initial results in the Reporting Period have been achieved due to these adjustments and upgrades; (ii) a drop in the consumer flow of offline traditional channels and channels of hypermarkets and supermarkets during the Reporting Period; and (iii) an increase in the average selling price resulted from the Group's structural adjustment of main products in the Previous Year, which was partially offset by a decrease in the sales volume of the products.

During the Reporting Period, gross profit of the Group increased by 28.4% from RMB861.5 million in the first half of Previous Year to RMB1,106.2 million. During the Reporting Period, gross profit margin of the Group increased from 38.1% in the corresponding period of Previous Year by 9.4 percentage points to 47.5%, mainly due to (i) an increase in the average selling price resulted from the Group's structural adjustment of main products in the Previous Year; (ii) a decrease in the price of raw materials during the Reporting Period; and (iii) the optimization of the Group's cost management by optimising production process flow continuously.

Distribution and Selling Expenses

During the Reporting Period, distribution and selling expenses of the Group amounted to RMB367.2 million, representing an increase of 36.3% as compared with RMB269.5 million in the first half of Previous Year. During the Reporting Period, distribution and selling expenses of the Group accounted for 15.8% of the total revenue, representing an increase of 3.9 percentage points as compared with 11.9% in the first half of Previous Year. The increase in the Group's distribution and selling expenses was mainly due to (i) during the Reporting Period, promotion and advertising expenses increase by 145.7% from RMB36.6 million in the first half of Previous Year to RMB89.8 million as a result of the increased online advertising activities (such as live streaming) and KOL promotion activities, carried out on e-commerce platforms as well as other online media platforms and combined advertisements placements in outdoor media; (ii) an increase in the employee benefit expenses from RMB111.4 million (including share-based payment of approximately RMB9.5 million) in the first half of Previous Year to RMB165.1 million (including share-based payment of approximately RMB13.4 million) during the Reporting Period, primarily due to the continuous expansion of the sales team of the Group; and (iii) a decrease in professional fees.

Administrative Expenses

Administrative expenses of the Group were RMB219.2 million and RMB220.7 million during the Reporting Period and the corresponding period of Previous Year, respectively, which remained relatively stable, reflecting an increase in employee benefit expenses offset by a decrease in professional fees and listing expenses of the Group. During the Reporting Period, the proportion of administrative expenses to total revenue slightly decreased from 9.8% in the first half of Previous Year to 9.4%.

Other Income, Net

During the Reporting Period, other net income of the Group amounted to RMB25.5 million, representing a decrease of 57.5% as compared with RMB59.9 million in the first half of Previous Year, primarily due to the decrease in government subsidy.

Other Gains/(Losses), Net

During the Reporting Period, the Group recorded RMB16.0 million in other gains compared to RMB598.7 million in other losses in the first half of 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

During the Reporting Period, net finance income of the Group amounted to RMB86.4 million, representing an increase of 263.9% as compared with RMB23.7 million in the first half of Previous Year, primarily due to an increase in interests from bank.

Income Tax Expense

During the Reporting Period, income tax expenses of the Group amounted to RMB200.5 million, representing an increase of 70.6% as compared with RMB117.5 million in the first half of Previous Year, which was in line with an increase of the taxable income of the Group during the Reporting Period.

Profit/(Loss) for the Period

As a result of the foregoing, profit for the period of the Group increased from a loss of RMB260.8 million in the first half of Previous Year to a profit of RMB447.1 million during the Reporting Period, primarily due to the share-based payments related to Pre-IPO Investments in the first half of Previous Year as well as an increase in gross profit of the Group during the Reporting Period.

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

To supplement the Group's interim condensed consolidated financial information 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 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/(loss) for the period adjusted by adding back share-based payment expenses and listing expenses. The following table reconciles adjusted net profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is net profit/(loss) for the periods:

	Six months ended June 30,	
	2023	2022
	(RMB'000)	*(RMB'000)*
Reconciliation of net profit/(loss) to adjusted net profit (Non-IFRS measure)		
Profit/(loss) for the Period	**447,070**	(260,830)
Add:		
Share-based payment to employees[1]	**49,934**	49,107
Listing expenses[2]	**–**	7,804
Share-based payments related to Pre-IPO Investments[3]	**–**	628,811
Adjusted net profit (Non-IFRS measure)	**497,004**	424,892

Notes:

(1) Share-based payment to employees, which is non-cash in nature mainly represent the arrangement that the Group receives services from employees as consideration for equity instruments of the Group.

(2) Listing expenses mainly relate to the Global 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 during the Reporting Period increased by 17.0% from RMB424.9 million in the first half of Previous Year to RMB497.0 million, primarily as the result of an increase in gross profit of the Group and an increase in adjusted net profit margin (Non-IFRS measure) of the Group, which increased from 18.8% to 21.4% for the respective periods.

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 during the Reporting Period, the Board has decided to declare an interim dividend (the "**Interim Dividend**") of RMB0.12 per share as of June 30, 2023 (inclusive of tax, amounting to a total Interim Dividend of approximately RMB282.1 million), representing approximately 60% of the net profit of the Group for the six months ended June 30, 2023. The dividend is expected to be paid on or about October 12, 2023.

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

As of June 30, 2023, the sum of term deposits with initial term over three months and cash and cash equivalents of the Group amounted to RMB4,706.5 million, representing an increase of 19.5% as compared with RMB3,939.3 million as of the end of Previous Year, mainly attributable to the cash generated from operating activities during the Reporting Period. Borrowings of the Group were RMB174.3 million and RMB161.3 million as of June 30, 2023 and December 31, 2022, respectively. Borrowings of the Group were secured bank loans which the Group obtained for the construction of plants and purchase of machinery and equipment.

Inventories

Inventories of the Group decreased by 27.7% from RMB599.3 million as of the end of Previous Year to RMB433.5 million as of June 30, 2023. Inventory turnover days of the Group decreased from 82 days in the Previous Year to 77 days in the Reporting Period, primarily due to (i) a decrease in raw materials as the Group usually purchases certain agricultural raw materials during their harvest season, which is the second half of the year; and (ii) the increased reserve of finished goods at the end of Previous Year for the Chinese New Year in mid January 2023.

Trade, Other Receivables and Prepayments

Trade receivables of the Group decreased by 48.0% from RMB66.4 million as of the end of Previous Year to RMB34.5 million as of June 30, 2023, primarily because the Group grants up to 90 days of credit terms to online retailers including Tmall Supermarket and JD Supermarket, while these online retailers placed more orders with the Group in December of Previous Year in anticipation of the Chinese New Year in mid January 2023. The turnover days of trade receivables decreased from 4.9 days in the Previous Year to 3.9 days in the Reporting Period.

Other receivables of the Group decreased by 34.2% from RMB62.4 million as of the end of Previous Year to RMB41.0 million as of June 30, 2023, primarily due to the decrease in receivables from local government.

Prepayments of the Group decreased by 18.2% from RMB111.2 million as of the end of Previous Year to RMB90.9 million as of June 30, 2023, 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 46.2% from RMB382.4 million as of the end of Previous Year to RMB205.8 million as of June 30, 2023, because the Group strategically decreased its investment in structured deposits products and fund management products in anticipation of a decrease in return rates of such products.

Trade and Other Payables

Trade payables of the Group decreased by 45.8% from RMB187.3 million as of the end of Previous Year to RMB101.4 million as of June 30, 2023, primarily due to (i) a decrease in payables for purchasing raw materials and packaging materials; and (ii) a decrease in the payables to OEM suppliers as the purchase from them decreased during the Reporting Period resulted from the Group's structural adjustment of products in the Previous Year. The turnover days of trade payables decreased from 26 days in the Previous Year to 21 days in the Reporting Period.

Other payables of the Group increased by 96.0% from RMB502.5 million as of the end of Previous Year to RMB984.7 million as of June 30, 2023, primarily because the Group declared dividends of RMB564.3 million in total at annual general meeting held on June 28, 2023 and such dividends have not been paid as of June 30, 2023.

Contract Liabilities

Contract liabilities of the Group decreased by 32.6% from RMB225.3 million as of the end of Previous Year to RMB151.7 million as of June 30, 2023, primarily because the distributors placed more orders with the Group at the end of Previous Year in anticipation of the Chinese New Year in mid January 2023.

Gearing Ratio

As of June 30, 2023, the gearing ratio of the Group, which is calculated as total interest-bearing borrowings divided by total equity, was 3.2%, as compared with 2.9% 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 China have assets and liabilities, like cash at bank and other major licensed payment institutions and term deposits with initial term over three months which are denominated in USD and HKD. Foreign exchange risk arises from the fluctuations in exchange rates. 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 June 30, 2023, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As of June 30, 2023, the Group had capital commitments for the construction of property, plant and equipment of approximately RMB40.9 million (December 31, 2022: RMB79.5 million).

PLEDGE OF ASSETS

As of June 30, 2023, the Group has pledged certain land use rights amounting to RMB92.8 million (December 31, 2022: RMB93.8 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 plans for acquiring other material investments or capital assets.

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", the Group continues to build a leading consumer-centric company in the spicy snack food industry.

Looking ahead, the Group will continuously strengthen brand building, through brand activities centering around young consumers, the Group conducts consumer research and interaction to actively explore the improvement of brand awareness and reputation. At the same time, combined with in-depth online content marketing, the Group will enhance user engagement, so as to provide consumers with better product experience.

At the same time, in order to provide better products and services to consumers, the Group will continue to invest in product development and quality improvement to enhance the core competitiveness of our products in the market. We will continue to refine and improve the Group's product portfolio and launch new products at a proper time.

Besides, we will continue to implement omni-channel distribution network strategy, consolidate the sales support (輔銷) mode in core POS of key cities and the sales assistance (助銷) mode in lower tier cities to expand the breadth and depth of our distribution network continuously and improve the coverage and the execution quality of POS, so as to further enhance our channel management capabilities. At the same time, in the face of the diversified changes in the sales channels of China's snack food industry, new channels such as snacks specialty retailers and content e-commerce platforms are continuing to increase in traffic, we will actively embrace the development opportunities brought by new channels thereby providing consumers with a better experience in the new business types.

In the meantime, the Group will continue to consolidate its manufacturing capabilities and R&D capabilities, continue to enhance organizational capabilities, and strengthen the construction of digital intelligence in order to improve its overall operational efficiency and consumer experience. Finally, the Group will stay true to its original aspiration and mission, strive to maximize returns for consumers, clients, shareholders, investors, employees and the society.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on December 15, 2022. From the listing date to June 30, 2023, the Group progressively utilized the proceeds from the initial public offering according to the intended use set out in the prospectus.

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 HKD903.3 million. As of June 30, 2023, the Group utilized total proceeds of approximately HKD191.4 million for the intended purposes set out in the prospectus issued by the Company, accounting for 21.2% of all raised funds, and the remaining unutilized proceeds were approximately HKD711.9 million.

Intended purpose of net proceeds	**Net proceeds from the listing available** *(HKD million)*	**Actual net amount utilized as of June 30, 2023** *(HKD million)*	**Unutilized net amount as of June 30, 2023** *(HKD million)*	**Expected timeline for fully utilizing unutilized net amount**	**Expected timeline as disclosed in the prospectus**
Production facilities and supply chain system	514.9	62.6	452.3	2-3 years	3-5 years
Expanding our sales and distribution network	135.5	74.9	60.6	1 year	3-5 years
Brand building	90.3	43.1	47.2	1 year	3-5 years
Product R&D activities and enhancement of R&D capabilities	90.3	5.7	84.6	1-2 years	3-5 years
Advancing the construction of digitization and intelligence	72.3	5.1	67.2	1-2 years	3-5 years
Total	**903.3**	**191.4**	**711.9**	**–**	**–**

Note: Due to rounding, there may be a 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.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Save for other disclosures in the announcement, there have been no significant events of the Group from June 30, 2023 until the date of this announcement.

HUMAN RESOURCES AND REMUNERATION POLICY

As at June 30, 2023, the total number of employees of the Group was 5,712, and during the Reporting Period, the total employee benefits (including Directors' remuneration) amounted to approximately RMB476.5 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 human resources are one of the Group's most important assets and the key to the continuous growth of the Group's business. The Group's remuneration policy is determined by the salary levels in different regions, employee rank and performance and the market conditions. Apart from basic remuneration, for all employees in mainland China, the Group makes contributions towards employee mandatory social security schemes including pensions, unemployment compensation, work-related injury insurance, maternity insurance and medical insurance in accordance with the applicable laws and regulations of mainland China. The Group also makes contributions towards housing provident fund schemes for employees in mainland China as required by applicable local laws and regulations in mainland China. For employees in Hong Kong and other countries, the Group also makes contributions towards relevant insurance schemes, pension schemes and provident fund as required by applicable local laws and regulations. The pensions and unemployment insurance belong to defined contributions schemes. The Group does not have the right to confiscate the contributions, and therefore has no use of the contributions for the six months ended June 30, 2023. Meanwhile, we also provide annual check-ups, holiday benefits, etc., so as to fully protect our employees through a variety of benefit measures. Besides, performance bonus and other incentive systems are established to recognize and encourage organizations and employees which has made outstanding contributions to the Group's business. Generally, a salary review is conducted annually to make sure that the overall remuneration policy is competitive.

The Group has introduced human resource management systems, which facilitates the decision-making level and management level to comprehensively and timely understand the Company's personnel structure and personnel growth status, and helps human resources to continuously improve the organizational structure according to business development, thus greatly improving the business synergy efficiency of the Group.

At the same time, the Group systematically plans the functions of each department, attaches importance to the complementary allocation within the Group in the selection and appointment of talents, pays attention to the comprehensive performance assessment of the team and individual in the assessment of personnel ability, and supplements the introduction of external outstanding talents on the basis of the training of internal talents to do a good job in the construction of the entire talent echelon.

The Group emphasizes on employee training performance and development, and has established a systematic talent training system for providing staff development platforms and resources. Based on the Group's strategic development needs, our training system is developed from three aspects, namely basic general training, business professional training and competency improvement training, with the aim of helping talents improve their ability to achieve both organizational mission and personal mission. At the same time, the Group has established a unified knowledge and information sharing platform "Sharing Hall" to disseminate and add value to knowledge and information through a unified information platform.

In order to incentivize and reward Directors, members of senior management and other employees who have contributed to the development of the Group, the restricted share unit ("**RSU**") scheme was approved and adopted by the Company on January 1, 2021. 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 published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.weilongshipin.com) on December 5, 2022.

INTERIM DIVIDEND

Relevant resolution has been passed at a meeting of the Board held on August 29, 2023, and the Board has resolved to the distribution of an Interim Dividend of RMB0.12 (tax inclusive) per share for the six months ended June 30, 2023, with a total amount of approximately RMB282.1 million. The dividend is expected to be paid on or about October 12, 2023.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, September 18, 2023 to Wednesday, September 20, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to receive the Interim Dividend, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on Friday, September 15, 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group consistently emphasizes the importance of sustainable development and corporate social responsibility, is committed to integrating sustainable development concepts into daily operations and strategy formulation, and follows ESG development and regulatory changes, to continuously improve our corporate governance structure and ESG management system. With the goal of "Letting the world fall in love with Chinese flavors" of the Group, we will work with our partners, encourage stakeholders to join our ESG collaboration and use sustainable business practices to create an enterprise that adds more value to the world. An ESG report for the year 2022 has been prepared with reference to Appendix 27 of the Listing Rules (Environmental, Social and Governance Reporting Guide) and published on the Company's and the Stock Exchange's websites on April 27, 2023.

The Group continues to improve the corporate governance structure, strengthen risk prevention and control, enhance the level of corporate governance of the Group. The Group vigorously strengthened integrity training, adhered to business ethics and made unrelenting efforts to create a clean and healthy corporate environment. The Group upholds the quality-oriented principle, views food safety as our "lifeline" and has established a three-tier food safety management process, formed a full chain of food safety management, created a one-product-one-code information system, and opened up a two-way traceability loop from raw materials to the end of the sales in a paperless and intelligent manner to achieve accurate product tracking and assign specific duties to specific personnel. The Group has partnered with the Chinese Institute of Food Science and Technology and many other renowned universities in China to explore new flavors and new products while focusing on technique innovation, and further improve the food raw materials utilization and reduce wastage and waste emissions while exploring safer and healthier foods for consumers. At the same time, with the core value of "Serving customers with heart," the Group makes every effort to fully protect and defend customers' legitimate rights and interests, and is committed to developing a sustainable supply chain by incorporating ESG indicators such as business ethics and product quality into the supply chain risk management and control system. The Group has created more recruitment channels to introduce talents in a comprehensive way in order to meet the demands of corporate development, and empowered employees development through a series of initiatives with a focus on their well-being, thereby motivating them to develop themselves with the employer.

Beyond that, the Group strives to reasonably reduce the environmental impact of our operations and actively comply with climate change policies and regulations, and has developed long-term environmental management goals including carbon emission reduction, waste reduction, energy efficiency improvement, water efficiency improvement, and environmental management certification. Meanwhile, the Group also actively participates in charitable and public welfare endeavors, and gives back to society with fully aware of our responsibilities as a corporate citizen.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, none of the Company or its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

As of 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 Company's unaudited condensed consolidated interim results for the six months ended June 30, 2023, and confirmed that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

The interim results for the six months ended June 30, 2023 are unaudited, but have been reviewed by Ernst & Young, the independent auditors of the Company, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

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 since the January 1, 2023 and up to the date of this announcement.

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 enquiries with all Directors, all of them confirmed that they had complied with the provisions set out in the Model Code during the Reporting Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 interim report for the six months ended June 30, 2023 of the Company will be published on the aforementioned websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, August 29, 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.