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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

2024 Interim Results Highlights

- Total revenue was RMB2,938.6 million, representing a year-on-year increase of 26.3%;
- Gross profit was RMB1,462.3 million, representing a year-on-year increase of 32.2%;
- Gross profit margin was 49.8%, representing a year-on-year increase of 2.3 percentage points;
- Profit for the period was RMB621.2 million, representing a year-on-year increase of 38.9%;
- Basic earnings per share were RMB0.27, representing a year-on-year increase of 42.1%;
- Interim Dividend per ordinary share resolved to be distributed was RMB0.16.

The board (the “**Board**”) of directors of WEILONG Delicious Global Holdings Ltd (the “**Company**” or “**WL Delicious**”) 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, 2024 (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, 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2024

	<i>Notes</i>	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers	3	2,938,649	2,327,279
Cost of sales of goods	3, 4	(1,476,364)	(1,221,077)
Gross profit		1,462,285	1,106,202
Distribution and selling expenses	4	(475,452)	(367,183)
Administrative expenses	4	(242,306)	(219,197)
Net impairment gains/(losses) on financial assets		36	(112)
Other income, net		44,391	25,464
Other gains/(losses), net	5	(4,074)	16,038
Operating profit		784,880	561,212
Finance income		96,179	93,025
Finance costs		(8,501)	(6,668)
Finance income, net		87,678	86,357
Profit before income tax		872,558	647,569
Income tax expense	6	(251,358)	(200,499)
Profit for the period		621,200	447,070
Profit is attributable to:			
– Owners of the Company		621,200	447,070
Earnings per share for profit attributable to owners of the Company (RMB)			
Basic earnings per share	7	0.27	0.19
Diluted earnings per share	7	0.27	0.19

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Profit for the period	<u>621,200</u>	<u>447,070</u>
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(2,485)	(3,038)
Items that may not be reclassified to profit or loss:		
Exchange differences on translation of the Company	<u>11,171</u>	<u>71,822</u>
Other comprehensive income for the period, net of tax	<u>8,686</u>	<u>68,784</u>
Total comprehensive income for the period	<u>629,886</u>	<u>515,854</u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	<u>629,886</u>	<u>515,854</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2024

	<i>Note</i>	June 30, 2024 <i>RMB'000</i> (Unaudited)	December 31, 2023 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment		1,101,769	1,100,998
Right-of-use assets		456,769	460,829
Goodwill		4,269	–
Other intangible assets		16,691	19,980
Term deposits with initial term over three months		3,389,410	2,570,023
Deferred income tax assets		21,938	22,683
Other non-current assets		7,489	4,343
Total non-current assets		4,998,335	4,178,856
Current assets			
Trade, other receivables and prepayments	9	394,728	211,531
Inventories		418,177	419,893
Financial assets at fair value through profit or loss		123,585	122,820
Restricted cash		–	166
Term deposits with initial term over three months		938,282	1,594,087
Cash and cash equivalents		451,797	526,193
Total current assets		2,326,569	2,874,690
Total assets		7,324,904	7,053,546

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
June 30, 2024

	<i>Note</i>	June 30, 2024	December 31, 2023
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Liabilities			
Non-current liabilities			
Borrowings		176,170	178,960
Lease liabilities		7,609	8,930
Deferred income		155,864	158,407
Deferred income tax liabilities		131,302	93,362
		<hr/>	<hr/>
Total non-current liabilities		470,945	439,659
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>10</i>	722,309	662,744
Contract liabilities and refund liabilities		179,033	206,343
Current income tax liabilities		60,540	33,258
Borrowings		2,950	1,980
Lease liabilities		4,851	3,692
		<hr/>	<hr/>
Total current liabilities		969,683	908,017
		<hr/>	<hr/>
Total liabilities		1,440,628	1,347,676
		<hr/>	<hr/>
Net assets		5,884,276	5,705,870
		<hr/>	<hr/>
Equity			
Share capital		155	155
Other reserves		2,237,034	2,680,382
Retained earnings		3,647,087	3,025,333
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,884,276	5,705,870
		<hr/>	<hr/>
Total equity		5,884,276	5,705,870
		<hr/>	<hr/>
Total equity and liabilities		7,324,904	7,053,546
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS

June 30, 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2024 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, 2023.

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, 2023, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments have been applied retrospectively and had no impact on the Group’s interim condensed consolidated financial information.

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, Mala Mala and CUI HUO HUO.
- Vegetable products, primarily comprising Konjac Shuang, Fengchi Kelp and XIAO MO NV.
- Bean-based and other products, primarily comprising Spicy Tofu Skin, Soft-boiled 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, 2024

	Seasoned flour products <i>RMB'000</i> (Unaudited)	Vegetable products <i>RMB'000</i> (Unaudited)	Bean-based and other products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue	1,353,826	1,461,256	123,567	2,938,649
Cost of sales	(706,022)	(692,913)	(77,429)	(1,476,364)
Gross profit	647,804	768,343	46,138	1,462,285

Six months ended June 30, 2023

	Seasoned flour products <i>RMB'000</i> (Unaudited)	Vegetable products <i>RMB'000</i> (Unaudited)	Bean-based and other products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (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

(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,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PRC	2,904,025	2,282,282
Overseas	34,624	44,997
	<u>2,938,649</u>	<u>2,327,279</u>

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, 2024 and 2023.

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

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>2,938,649</u>	<u>2,327,279</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 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 and volume rebates 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,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Consumption of raw materials	1,147,250	897,508
Changes in inventories of finished goods, semi-finished goods, and goods in transit	(364)	51,943
Employee benefit expenses	540,127	476,513
Transportation expenses	92,966	73,797
Utilities	61,357	45,530
Promotion and advertising expenses	120,263	89,884
Other tax expenses	32,038	20,567
Depreciation and amortization	82,560	64,626
Travelling expenses	23,908	20,180
Repairs and maintenance	18,002	14,751
Office expenses	18,864	20,748
Auditor's remuneration		
– Audit services	1,200	1,359
– Non-audit services	889	–
Expense relating to short-term leases	5,404	8,147
Professional fees	27,187	9,399
Others	22,471	12,505
	<hr/>	<hr/>
Total cost of sales of goods, distribution and selling expenses and administrative expenses	2,194,122	1,807,457

5. OTHER GAINS/(LOSSES), NET

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fair value gains/(losses) on financial assets at fair value through profit or loss	(81)	7,964
Gain/(loss) on disposal of property, plant and equipment	475	(110)
Donation	(300)	(10)
Net foreign exchange gains/(losses)	(2,043)	4,990
Impairment of property, plant and equipment	–	(982)
Others	(2,125)	4,186
	<hr/>	<hr/>
	(4,074)	16,038

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<i>Current tax</i>		
Current tax on profits for the period	<u>212,673</u>	<u>157,290</u>
<i>Deferred income tax</i>		
Decrease in deferred income tax assets	2,128	26,706
Increase in deferred income tax liabilities	<u>36,557</u>	<u>16,503</u>
Total deferred tax expense	<u>38,685</u>	<u>43,209</u>
Income tax expense	<u>251,358</u>	<u>200,499</u>

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.

7. 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 period.

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	621,200	447,070
Weighted average number of outstanding ordinary shares (thousands)	<u>2,312,489</u>	<u>2,309,544</u>
Basic earnings per share (RMB)	<u>0.27</u>	<u>0.19</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 six months ended June 30, 2024, an aggregate of 3,092,870 restricted share units (“RSUs”) (June 30, 2023: 2,981,331) become vested under the terms and conditions of the Group’s 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 period.

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to owners of the Company (<i>RMB'000</i>)	621,200	447,070
Weighted average number of outstanding ordinary shares (<i>thousands</i>)	2,312,489	2,309,544
Adjustments for:		
– RSUs (<i>thousands</i>)	2,724	4,525
Adjusted weighted average number of outstanding ordinary shares for diluted earnings per share (<i>thousands</i>)	2,315,213	2,314,069
Diluted earnings per share (<i>RMB</i>)	0.27	0.19

8. **DIVIDENDS**

	For the six months ended June 30,	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Final and special dividends declared	493,741	564,276

On June 6, 2024, 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, 2023 of RMB0.10 per share, amounting to a total final dividend of RMB235,115,000, and a special dividend in respect of the year ended December 31, 2023 of RMB0.11 per share, amounting to a total special dividend of RMB258,626,000, were declared to all shareholders. The dividends were paid in June 2024.

An interim dividend in respect of the six months ended June 30, 2024 of RMB0.16 per share, amounting to a total interim dividend of approximately RMB376,183,000, representing approximately 60% of the net profit of the Group for the six months ended June 30, 2024, was declared by the Company's board of directors at the board meeting held on August 15, 2024. The interim condensed consolidated financial information do not reflect these dividend payables.

9. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables:		
Receivables from third parties	54,967	51,659
Loss allowance	(5)	(41)
	<u>54,962</u>	<u>51,618</u>
Other receivables:		
Deposits	4,534	4,535
Proceeds receivable from sale of property, plant and equipment	–	460
Loans to third parties	200	200
Receivables from the government	145,849	29,068
Others	833	4,626
Loss allowance	(200)	(200)
	<u>151,216</u>	<u>38,689</u>
Prepayments:		
Prepayments for raw materials	96,787	25,530
Prepayments for services	25,493	28,110
Input VAT recoverable	52,595	63,151
Prepayment for income tax	13,675	4,433
	<u>188,550</u>	<u>121,224</u>
	<u>394,728</u>	<u>211,531</u>

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, 2024 and December 31, 2023, the aging analysis of the trade receivables based on invoice date is as follows:

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables:		
Within 90 days	54,806	40,344
91-180 days	161	11,315
	<u>54,967</u>	<u>51,659</u>

10. TRADE AND OTHER PAYABLES

	June 30, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables:		
– Third parties	176,717	154,662
– Related parties	9,561	10,066
	<u>186,278</u>	<u>164,728</u>
Other payables:		
Salary and welfare payables	254,127	262,432
Amounts due to a related party	260	260
Deposits payables	87,334	80,384
Freight charges payables	24,321	17,584
Payables for purchase of property, plant and equipment	11,618	17,786
Tax payable	36,262	26,264
VAT payable related to contract liabilities	9,748	13,415
Utilities payables	13,496	10,612
Consideration payable for acquisition of a subsidiary	28,000	–
Others	70,865	69,279
	<u>536,031</u>	<u>498,016</u>
	<u>722,309</u>	<u>662,744</u>

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

	June 30, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables:		
Within 90 days	<u>186,278</u>	<u>164,728</u>

11. EVENTS AFTER THE REPORTING PERIODS

An interim dividend of RMB0.16 per share for the six months ended June 30, 2024, equivalent to an aggregate of approximately RMB376,183,000, representing approximately 60% of the net profit of the Group for the six months ended June 30, 2024, was declared by the Company's board of directors at the board meeting held on August 15, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry Environment

Looking back at the first half of 2024, China's economy grew at a solid pace. According to the National Bureau of Statistics of China, China's GDP grew by 5.0% year-on-year in the first half of 2024, which indicated that China's economy maintained its growth momentum amidst global uncertainties.

According to McKinsey's China's Consumption Trends Survey in 2024¹, consumers have become more optimistic about both the macro economy and their personal finances as compared with a year ago. Specifically, the percentage of people who are optimistic about Chinese macro economy has increased from 73% to 76%, while consumers' confidence in their personal and household finances has increased from 63% in 2023 to 67%. Although consumers remain cautious about their consumption expectations, only several demographics are not so optimistic. Most notably, younger consumers, particularly Generation Z, demonstrated a higher willingness of consumption. This positive sentiment laid a solid foundation for the growth potential of the snack food industry.

In the first half of 2024, China's retail sales of social consumer goods showed an upward trend. According to the *In-depth Analysis and Forecast Report on the Development Trend of China's Snack Food Industry from 2022 to 2027*² released by Askci, the market size of China's snack food industry in 2024 is expected to reach RMB1,009.3 billion due to such factors as the growth of per capita disposable income, the increasingly plentiful consumption scenes, the continuous launch of innovative products, and the continuous expansion of distribution channels.

In addition, we noted that price-performance ratio, rationality and pragmatism, diversification and personalization gradually became young consumers' mainstream consumption concepts in the first half of 2024, which brought more structural opportunities to the snack food industry. Meanwhile, emerging channels, such as O2O, content e-commerce platforms, snack specialty retailers, and warehouse clubs, continued to seize the market share of traditional channels, which accelerated the reshaping of the snack food industry. The growing consumer demand for high-quality and diversified snack food products promoted industry innovation and market expansion. It also encouraged companies to intensify efforts in such aspects as product innovation, channel expansion, brand building, and supply chain optimization to capture a bigger market share in the increasingly competitive environment.

¹ 2024 China's Consumption Trends Survey: Cautious Expectations With Potential – McKinsey Greater China

² Forecast for and Analysis on the Market Size and Industry Development Prospects of China's Snack Food in 2024 (Picture) - Askci (askci.com)

Business Review

During the Reporting Period, the Group continued to specialize in turning authentic Chinese gourmet into casual snack food that consumers can enjoy anywhere and anytime. We adhered to the mission of “letting the world fall in love with Chinese flavors”, the great vision of “making authentic Chinese gourmet more entertaining, casual, convenient and affordable, embracing digital-intelligentization and ultimately building a great business that brings joy and happiness to people for 123 years”, and the core values of “Customer First, Employee Oriented, Operating Business with Integrity and Creating Changes”, which aims to serve our customers better and achieve employees’ values, so as to promote the sustainable development and growth of the Group continuously, thereby offering consumers better service and experience.

During the Reporting Period, we continued to improve our research and development capabilities, focused on consumer experience, adhered to the strategy of “multiple categories and large single product” and actively promoted product innovation. We continued to launch several products to align with our target consumers’ psychological changes, and expanded our product profolio to meet consumers’ diversified and personalized demands.

During the Reporting Period, we continued to expand our brand investment and enhance our brand building, so as to improve our brand influence continuously. We strengthened our consumer engagement through both online and offline branding and marketing campaigns, for example, we carried out continuous brand communication for the Group’s core large product “Konjac Shuang” during the Reporting Period, thereby enhancing our continuous penetration in the Konjac category market. At the same time, we also conducted various engaging and entertaining marketing activities such as “Xiao Mo NV (小魔女)” IP animated videos, “Durian Latiao (榴蓮辣條)” pop-up shops, “Eggy Party (蛋仔派對)” Co-branded “Kiss Burn (親嘴燒)” and made other efforts which aimed to rejuvenate our brand in distinctive ways, continuously increase its vitality and attractiveness, and align it more closely with the lifestyles and consumption habits of the younger generation.

During the Reporting Period, the rapid development of emerging channels, such as O2O, content e-commerce platforms, snack specialty retailers, and warehouse clubs, accelerated changes in the snack food industry. The Group actively promoted the implementation of its omni-channel strategy by consolidating the layout of traditional snack food channels while also seizing the growth opportunities presented by emerging channels, so as to establish closer ties with consumers through the construction of online and offline omni-channels, and make it more convenient for consumers to purchase our products.

During the Reporting Period, the Group recorded a total revenue of RMB2,938.6 million, representing an increase of 26.3% as compared with RMB2,327.3 million in the corresponding period of the year ended December 31, 2023 (the “**Previous Year**”), primarily due to a steady increase in online and offline revenues, which attributed to the effective implementation of the Group’s business development strategies during the Reporting Period, especially, the Group’s active promotion of omni-channel construction and brand building. Gross profit of the Group increased by 32.2% from RMB1,106.2 million in the corresponding period of Previous Year to RMB1,462.3 million in the Reporting Period, gross profit margin of the Group increased from 47.5% in the corresponding period of Previous Year by 2.3 percentage points to 49.8% in the Reporting Period, mainly due to an increase in utilization rate and a decrease in the prices of certain raw materials during the Reporting Period. The Group’s net profit increased by 38.9% from RMB447.1 million in the corresponding period of Previous Year to RMB621.2 million in the Reporting Period, and the Group’s net profit margin increased by 1.9 percentage points from 19.2% in the corresponding period of Previous Year to 21.1% during the Reporting Period, primarily due to an increase in the revenue and gross profit margin during the Reporting Period.

Our Products

The Group is a leader and pioneer in the spicy snack food industry in China. The Group adheres to the strategy of “multiple categories and large single product” with its products covering 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), Mala Mala (麻辣麻辣) and CUI HUO HUO (脆火火). Vegetable products primarily comprise Konjac Shuang (魔芋爽), Fengchi Kelp (風吃海帶) and XIAO MO NV (小魔女). Bean-based and other products primarily comprise Spicy Tofu Skin (香辣豆皮), Soft-boiled egg (溏心蛋) and others.

During the Reporting Period, we actively promoted product innovation by launching products such as spicy barbecue-flavored konjac vegetarian tendon “XIAO MO NV”, hot and sour hotpot-flavored konjac vegetarian tripe “XIAO MO NV”, lime-flavored crisp Latiao “CUI HUO HUO (脆火火)” and other products.

Spicy barbecue-flavored konjac vegetarian tendon “XIAO MO NV” was launched after the launching of spicy hotpot-flavored konjac vegetarian tripe “XIAO MO NV” at the end of the Previous Year, which marked the debut of a new product in the sub-brand of “XIAO MO NV”. We carefully select Wudu peppercorns and Xinjiang cumin for this product, thereby making it authentically barbecue-flavored, tasty, spicy and delicious. Meanwhile, this product upgrades the cutting process, bringing in a super satisfying eating experience of big bites. After 24 unique production processes, our konjac vegetarian tendon boasts a crispy and chewy texture. Moreover, konjac vegetarian tendon is rich in dietary fiber, thus consumers can control their calorie intake while savoring it.

Hot and sour hotpot-flavored konjac vegetarian tripe “XIAO MO NV” boasts flavor innovation after the launching of the spicy hotpot-flavored konjac vegetarian tripe “XIAO MO NV” at the end of the previous year. This product offers big and crisp slices with less burdensome and gulp experience. It also upgrades its cutting process, yielding crispy texture. Vegetarian tripe “XIAO MO NV” is rich in dietary fiber, allowing consumers to eat it with less burdensome.

Lime-flavored crisp Latiao “CUI HUO HUO (脆火火)” boasts flavor innovation after the launching of the spicy crisp Latiao “CUI HUO HUO (脆火火)” at the end of the Previous Year. With selected premium wheat, non-fried extrusion cooking technology, these chips are crispy yet not crumbly, with a tasty and delightful flavor. They address a common challenge in the market that Latiao products lack sufficient crispiness and extrusion food lacks sufficient spiciness. Through dynamic, funny, interesting brand tonality, CUI HUO HUO (脆火火) inspires young consumers to share happiness and release themselves.

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,			
	2024		2023	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Seasoned flour products	1,353,826	46.1%	1,288,892	55.4%
Vegetable products	1,461,256	49.7%	933,195	40.1%
Bean-based and other products	123,567	4.2%	105,192	4.5%
Total	2,938,649	100.0%	2,327,279	100.0%

Revenue generated from our seasoned flour products increased by 5.0% from RMB1,288.9 million in the corresponding period of Previous Year to RMB1,353.8 million in the Reporting Period, primarily due to omni-channel construction. Revenue from our seasoned flour products as a percentage of total revenue decreased from 55.4% in the corresponding period of Previous Year to 46.1% in the Reporting Period, reflecting our more balanced category development.

Revenue from our vegetable products increased by 56.6% from RMB933.2 million in the corresponding period of Previous Year to RMB1,461.3 million in the Reporting Period and its percentage to our total revenue increased from 40.1% in the corresponding period of Previous Year to 49.7% in the Reporting Period, mainly due to (i) the Group's continuous iteration of this category of products by actively exploring consumers' demand for such products; (ii) our continuous expansion of the production capacity for such products during the Reporting Period; and (iii) the Group continued to strengthen its omni-channel construction and brand building.

Revenue from our bean-based and other products increased by 17.5% from RMB105.2 million in the corresponding period of Previous Year to RMB123.6 million in the Reporting Period and its percentage to our total revenue slightly decreased from 4.5% in the corresponding period of Previous Year to 4.2% in the Reporting Period.

Our Customers and Sales Channels

Customers of the Group are primarily offline and online distributors, and to a lesser extent, direct sales customers and 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, 2024, we cooperated with 1,822 offline distributors and served for the key hypermarkets nationwide, supermarkets, chained convenience stores and other points of sales.

We are improving the sales team’s capabilities of serving different kinds of channels. While empowering our distributors to improve the service capabilities of the points of sales (the “POS”), we continued to enhance the execution capabilities of POS to strengthen the selling power of each POS. During the Reporting Period, emerging channels, such as O2O, snack specialty retailers and warehouse clubs, maintained rapid development. We had been building our offline channels, and seized the opportunities brought by these emerging channels to effectively improve the sales performance of offline POS.

In the meantime, we established our presence 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. We are improving operating capabilities of our e-commerce sales team. With the rapid development of new e-commerce platforms such as Douyin, Kuaishou and Xiaohongshu in recent years, we have also been actively expanding the target customer groups in these emerging online channels to increase interactions with consumers in their preferred ways, thereby driving more traffic conversions. During the Reporting Period, the Group’s online channels also saw growth.

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

	For the six months ended June 30,			
	2024		2023	
	<i>RMB’000</i>	<i>% of total revenue</i>	<i>RMB’000</i>	<i>% of total revenue</i>
Offline channels ³	2,589,623	88.1%	2,065,162	88.7%
Online channels	349,026	11.9%	262,117	11.3%
– Online distribution ⁴	136,589	4.7%	96,705	4.2%
– Online direct sales ⁵	212,437	7.2%	165,412	7.1%
Total	2,938,649	100.0%	2,327,279	100.0%

³ Offline channels mainly include distribution through our offline distributors and direct sales through some emerging channels.

⁴ 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.

⁵ 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.

Our revenue from offline channels increased by 25.4% from RMB2,065.2 million in the corresponding period of Previous Year to RMB2,589.6 million during the Reporting Period, reflecting our achievements in our offline omni-channel construction and brand building during the Reporting Period. Our revenue from offline channels as a percentage of our total revenue slightly decreased from 88.7% in the corresponding period of Previous Year to 88.1% in the Reporting Period, remaining stable.

Revenue from online channels increased by 33.2% from RMB262.1 million in the corresponding period of Previous Year to RMB349.0 million in the Reporting Period, of which our revenue from online distribution increased by 41.3% from RMB96.7 million in the corresponding period of Previous Year to RMB136.6 million in the Reporting Period and our revenue from online direct sales increased by 28.4% from RMB165.4 million in the corresponding period of Previous Year to RMB212.4 million in the Reporting Period, reflecting that the Company actively promoted online omni-channel construction, especially embraced the growth opportunities brought by each emerging online channels.

The table below sets forth a breakdown of revenue contribution by geographic locations of the registered offices of offline distributors and some direct sales channels during the periods indicated, presented as a percentage of our total offline revenue:

	For the six months ended June 30,		2023	
	2024			
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Eastern China	607,284	23.5%	460,474	22.3%
Central China	419,790	16.2%	373,145	18.1%
Northern China	370,777	14.3%	306,472	14.8%
Southern China	473,598	18.3%	355,937	17.2%
Southwestern China	346,359	13.4%	256,745	12.4%
Northwestern China	337,191	13.0%	267,392	13.0%
Overseas ⁶	34,624	1.3%	44,997	2.2%
Total	2,589,623	100.0%	2,065,162	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. During the Reporting Period, revenue generated overseas was immaterial.

⁶ Revenue contributed overseas is from offline distributors registered overseas.

Our Production Facilities and Capacities

We strive to improve 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 with 21 members, who engage in R&D of automated production equipment and systems based on our process requirements. Meanwhile, we established partnerships with equipment manufacturers to automate our production procedures and upgrade our production facilities. As of June 30, 2024, 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 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 volumes.

As of June 30, 2024, 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 continues to expand 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:

Type of Products	For the six months ended June 30,					
	2024			2023		
	Designed Production Capacity (ton)	Actual Production (ton)	Utilization Rate	Designed Production Capacity (ton)	Actual Production (ton)	Utilization Rate
Seasoned flour products	117,106.9	66,112.3	56.5%	117,984.9	56,053.8	47.5%
Vegetable products	59,406.0	50,445.0	84.9%	48,114.0	26,552.0	55.2%
Bean-based and other products	2,777.6	2,639.3	95.0%	2,204.0	1,314.0	59.6%
Total	179,290.5	119,196.6	66.5%	168,302.9	83,919.8	49.9%

During the Reporting Period, our designed production capacity for seasoned flour products was basically the same as that in the corresponding period of Previous Year, primarily due to the adjustment of some production lines. Our designed production capacity for vegetable products increased as compared with the corresponding period of Previous Year, primarily due to the addition of new production lines for konjac products. Our designed production capacity for bean-based and other products increased as compared with the corresponding period of Previous Year, primarily due to the addition of gift pack products. Our overall utilization rate increased compared with the corresponding period of Previous Year, primarily attributable to the increase in sales volume of the Group during the Reporting Period.

Production Plants	For the six months ended June 30,					
	2024			2023		
	Designed Production Capacity (ton)	Actual Production (ton)	Utilization Rate	Designed Production Capacity (ton)	Actual Production (ton)	Utilization Rate
Luohe Pingping Plant	42,325.7	27,986.4	66.1%	48,465.1	22,456.9	46.3%
Luohe Weilai Plant	31,217.9	20,389.5	65.3%	29,053.8	16,033.4	55.2%
Zhumadian Weilai Plant	32,169.9	15,447.4	48.0%	32,207.0	10,115.1	31.4%
Luohe Weidao Plant	51,853.2	36,323.3	70.1%	44,346.1	24,800.5	55.9%
Luohe Xinglin Plant	21,723.8	19,050.0	87.7%	14,230.9	10,513.9	73.9%
Total	179,290.5	119,196.6	66.5%	168,302.9	83,919.8	49.9%

During the Reporting Period, the changes for the annualized designed production capacity among our plants were mainly attributable to (i) the shift of some production lines to plants with higher efficiency; (ii) the adjustment of some product specifications; and (iii) the adjustment of some production lines for some products. Overall utilization rate increased compared with the corresponding period of Previous Year, primarily attributable to the increase in sales volume of the Group during the Reporting Period.

Our Food Safety and Quality Control

As one of the leading snack food enterprises in China, we uphold the quality-oriented principle, view food safety as our “lifeline” and continuously improve the construction of the food safety system. We adhere to the bottom line of product quality to ensure food safety, and promote innovation and research and development to create healthier and more delicious snack food for consumers.

The Group established 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, including 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 equipment 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. In terms of risk management of new products, risk assessment is carried out under “New Product Quality Inspection Standards”.

The Group has also set up a quality management department, which is mainly responsible for raw materials and packaging materials management, production process management and product testing management, OEM and 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 our 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, we have been focusing on upgrading existing products and launching new products. The modularized R&D model is the core of our product development. The Group has built R&D teams in flavour technology, 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 has integrated the technologies in each module across multiple product development phases, which will significantly improve 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, 2024, the Group has established two application R&D centers, one in Henan and the other in Shanghai, and had a professional R&D team 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 its digital intelligentization strategy and promote WL Delicious’ digital intelligentization-related work continuously, so as to achieve the goal of “interconnection and digital intelligentization of all business processes” (互聯互通，一切業務數智化), and improving the quality and efficiency of business departments. Leveraging the good foundation of information technology, the Group effectively monitored and optimized its management system, procurement, sales, manufacturing and other processes. The Group’s information system is based on its four major types of infrastructure: 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, sales management system, channel budget and expense control

platform, item-specific serial code information system, storage and transportation system, supplier relationship management system, enterprise asset management system, Industrial Internet of Things, human resource performance management system, OA process approval system, smart manufacturing base system, and BI self-service analysis platform.

Looking back at the Reporting Period, the Group continued to promote the construction of the sales management system, unexplored POS expansion system and channel budget and expense control platform, so as to enable us to quickly expand the market, improve POS coverage and operation efficiency and further enhance the quality of the POS management and control. The Group continued to build an agile and responsive supply chain system to accelerate the distribution of products. Meanwhile, the Group continued to improve the service quality and efficiency of its transportation system by establishing AGV automatic transportation processes and e-commerce contract fulfillment centers, so as to improve shipping efficiency. In addition, the Group continued to promote process standardization and streamline the end-to-end business process, especially the comprehensive sorting and checking of the Company's overall processes, the all-round sorting and optimisation of the production base processes, and the compliance inspection and optimisation of the processes of new product R&D and procurement, so as to eliminate bottlenecks in the business flow, simplify unnecessary process steps, increase risk control points, drive business operations more efficiently with procedures and comprehensively empower our business.

FINANCIAL REVIEW

Revenue and Gross Profit

During the Reporting Period, the Group recorded a revenue of RMB2,938.6 million, representing an increase of 26.3% as compared with RMB2,327.3 million in the first half of Previous Year, primarily due to the active promotion of omni-channel construction and brand building by the Group during the Reporting Period.

During the Reporting Period, gross profit of the Group increased by 32.2% from RMB1,106.2 million in the first half of Previous Year to RMB1,462.3 million. During the Reporting Period, gross profit margin of the Group increased from 47.5% in the corresponding period of Previous Year by 2.3 percentage points to 49.8%, mainly due to an increase in the capacity utilization and a decrease in the prices of certain raw materials.

Distribution and Selling Expenses

During the Reporting Period, distribution and selling expenses of the Group amounted to RMB475.5 million, representing an increase of 29.5% as compared with RMB367.2 million in the first half of Previous Year. During the Reporting Period, distribution and selling expenses of the Group accounted for 16.2% of the total revenue, representing an increase of 0.4 percentage points as compared with 15.8% in the first half of Previous Year. The increase in the Group's distribution and selling expenses was mainly due to an increase in the employee benefit expenses as well as promotion and advertising expenses during the Reporting Period.

Administrative Expenses

Administrative expenses of the Group increased by 10.5% from RMB219.2 million in the corresponding period of Previous Year to RMB242.3 million during the Reporting Period, primarily due to an increase in employee benefit expenses. During the Reporting Period, administrative expenses of the Group accounted for 8.2% of the total revenue, representing a decrease of 1.2 percentage points as compared with 9.4% in the first half of Previous Year.

Other Income, Net

During the Reporting Period, other net income of the Group amounted to RMB44.4 million, representing an increase of 74.1% as compared with RMB25.5 million in the first half of Previous Year, primarily due to an increase in government subsidy.

Finance Income, Net

Net finance income of the Group were RMB87.7 million and RMB86.4 million during the Reporting Period and the corresponding period of Previous Year, respectively, which remained relatively stable.

Income Tax Expense

During the Reporting Period, income tax expenses of the Group amounted to RMB251.4 million, representing an increase of 25.4% as compared with RMB200.5 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 for the Period

As a result of the foregoing, profit for the period of the Group increased by 38.9% from RMB447.1 million in the first half of Previous Year to RMB621.2 million during the Reporting Period, primarily due to an increase in revenue of the Group as well as an increase in gross profit margin of the Group during the Reporting Period.

Dividends

Based on the Group's overall performance, having accounted for, including but not limited to, surplus, overall financial conditions and capital expenditures of the Group during the Reporting Period, the Board has decided to declare an interim dividend (the "**Interim Dividend**") of RMB0.16 per share as of June 30, 2024 (inclusive of tax, amounting to a total Interim Dividend of approximately RMB376.2 million), representing approximately 60% of the net profit of the Group for the six months ended June 30, 2024. The dividend is expected to be paid on or about October 18, 2024.

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

As of June 30, 2024, the sum of term deposits with initial term over three months, restricted cash, cash and cash equivalents of the Group amounted to RMB4,779.5 million, representing an increase of 1.9% as compared with RMB4,690.5 million as of the end of Previous Year, mainly attributable to the cash generated from operating activities partially offset by the cash used in dividend payment during the Reporting Period. Borrowings of the Group were RMB179.1 million and RMB180.9 million as of June 30, 2024 and December 31, 2023, 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 slightly decreased from RMB419.9 million as of the end of Previous Year to RMB418.2 million as of June 30, 2024. Due to inventory turnover driven by growth in sales, inventory turnover days of the Group decreased from 73 days in the Previous Year to 51 days in the Reporting Period.

Trade, Other Receivables and Prepayments

Trade receivables of the Group increased by 6.6% from RMB51.6 million as of the end of Previous Year to RMB55.0 million as of June 30, 2024. The turnover days of trade receivables decreased from 4.4 days in the Previous Year to 3.3 days in the Reporting Period.

Other receivables of the Group increased from RMB38.7 million as of the end of Previous Year to RMB151.2 million as of June 30, 2024, primarily due to the increase in receivables from the government.

Prepayments of the Group increased by 55.6% from RMB121.2 million as of the end of Previous Year to RMB188.6 million as of June 30, 2024, primarily due to an increase in prepayments for raw materials.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss of the Group were RMB123.6 million and RMB122.8 million as of June 30, 2024 and December 31, 2023, respectively.

Trade and Other Payables

Trade payables of the Group increased by 13.1% from RMB164.7 million as of the end of Previous Year to RMB186.3 million as of June 30, 2024, primarily due to an increase in payables for purchasing raw materials. The turnover days of trade payables decreased from 25 days in the Previous Year to 22 days in the Reporting Period.

Other payables of the Group increased by 7.6% from RMB498.0 million as of the end of Previous Year to RMB536.0 million as of June 30, 2024, primarily because the purchase consideration for the acquisition of a subsidiary during the Reporting Period remained unsettled as of June 30, 2024.

Contract Liabilities and Refund Liabilities

Contract liabilities and refund liabilities of the Group decreased by 13.2% from RMB206.3 million as of the end of Previous Year to RMB179.0 million as of June 30, 2024.

Gearing Ratio

As of June 30, 2024, the gearing ratio of the Group, which is calculated as total interest-bearing borrowings divided by total equity, was 3.0%, as compared with 3.2% 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 China is RMB, while the functional currency of the Company and subsidiaries outside Mainland 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, 2024, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As of June 30, 2024, the Group had capital commitments for the construction of property, plant and equipment of approximately RMB76.2 million (December 31, 2023: RMB49.4 million).

PLEDGE OF ASSETS

As of June 30, 2024, the Group has pledged certain land use rights amounting to RMB90.8 million (December 31, 2023: RMB91.8 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 of 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 of “letting the world fall in love with Chinese flavors”, the vision of “making authentic Chinese gourmet more entertaining, casual, convenient and affordable, embracing digital-intelligentization and ultimately building a great business that brings joy and happiness to people for 123 years”, and the value of “Customer First, Employee Oriented, Operating Business with Integrity and Creating Changes”, the Group continues to build a leading company in the spicy snack food industry, thus providing more value to its customers, employees, and consumers.

Looking ahead, the Group will strengthen category and product innovation and continue to launch product portfolios that meet consumers’ demands and preferences. Meanwhile, the Group will also actively promote brand building, obtain insights into industry trends and young consumers’ preferences, and continuously enhance the Group’s brand reputation and awareness with youthful and diversified brand promotion ways.

Meanwhile, the Group will continue to vigorously promote its online and offline omni-channel development strategy and continuously improve its omni-channel operation capabilities. While actively seizing the opportunities brought by emerging channels’ rapid development, the Group will also unswervingly strengthen its traditional channels to offer comprehensive services to its customers and expand all of its channels, thereby allowing customers to enjoy convenient experiences.

Furthermore, an important development strategy for the Group is to persist in improving the quality and efficiency of its supply chain. To empower diversified channel development and meet consumers’ diversified needs, the Group will actively focus on all links of the supply chain to ensure product quality while boosting the overall efficiency of the supply chain. The Group will also place emphasis on the development of talents and continue to enhance the construction of digital-intelligentization to improve the Group’s overall operational efficiency.

Finally, the Group will stay true to its original aspiration and mission, and strive to maximize values 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 of Hong Kong Limited (the “**Stock Exchange**”) on December 15, 2022. From the listing date to June 30, 2024, 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, 2024, the Group utilized total proceeds of approximately HKD458.9 million for the intended purposes set out in the prospectus issued by the Company, accounting for 50.8% of all raised funds, and the remaining unutilized proceeds were approximately HKD444.4 million.

Intended purpose of net proceeds	Net proceeds from the listing available (HKD million)	Actual net amount utilized as of June 30, 2024 (HKD million)	Unutilized net amount as of June 30, 2024 (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	175.1	339.8	2-3 years	3-5 years
Expanding the sales and distribution network	135.5	130.7	4.8	1 year	3-5 years
Brand building	90.3	90.3	–	1 year	3-5 years
Product R&D activities and enhancement of R&D capabilities	90.3	45.0	45.3	1-2 years	3-5 years
Advancing the construction of digitization and intelligence	72.3	17.8	54.5	1-2 years	3-5 years
Total	903.3	458.9	444.4	–	–

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. In addition, taking into account of the Company’s long-term development and changes in the supply of raw materials, the Board decided to cancel the plan for construction of a new plant in Qujing, Yunnan Province as disclosed in the prospectus.

THE ACQUISITION OF PT BANSHANG TECHNOLOGY JAWA TIMUR (“BANSHANG TECHNOLOGY”)

During the Reporting Period, a subsidiary of the Group acquired 100% equity interest in BANSHANG TECHNOLOGY, a company located in Indonesia, on June 25, 2024 at a consideration of RMB28,000,000. BANSHANG TECHNOLOGY is principally engaged in the processing of raw materials for konjac. The acquisition is conducive to our arrangement of major raw materials and aligns with our long-term strategic planning. As the applicable percentage ratios under Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) in respect of the transaction do not exceed 5%, a separate announcement regarding the transaction is not required.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Save for other disclosures in this announcement, there have been no significant events of the Group from June 30, 2024 until the date of this announcement.

HUMAN RESOURCES AND REMUNERATION POLICY

As at June 30, 2024, the total number of employees of the Group was 6,146, and during the Reporting Period, the total employee benefits (including Directors’ remuneration) amounted to approximately RMB540.1 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 mechanism in order to improve the overall 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, 2024. Meanwhile, we also provide annual health examinations, 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 have 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 system, which facilitates the decision makers and management team to comprehensively and timely understand the Company's employee structure and the growth status of its employees, and helps human resource department to continuously improve the organizational structure according to business development, thus greatly improving the business collaborative 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 consummate the construction of the entire talent echelon.

The Group emphasizes on employee training and development, and has established a systematic talent training system for providing employee development resources and platforms. 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 an online unified knowledge and information sharing platform named "Sharing Hall", through which the knowledge and information are disseminated so as to add value among employees.

In strict compliance with the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, the Group pays labor remuneration and makes contributions to social insurance and housing provident funds for its employees. Meanwhile, we also provide annual check-ups, holiday benefits, etc., so as to fully protect our employees through a variety of benefit measures.

In order to motivate and reward the directors, senior management members and other employees who contributed to the development of the Group, the restricted share unit schemes (the "**RSU Schemes**") were approved and adopted by the Board on January 1, 2021 and March 21, 2024 (the "**Dates of Adoption**") respectively. The RSU Schemes shall be valid and effective for the period of ten (10) years commencing on the Dates of Adoption.

For details of the RSU Schemes, 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) and the 2024 interim report of the Company which is expected to be published by the end of September 2024.

The details of the incentive shares granted to the employees under the grant proposal of the RSU Schemes will be published in the 2024 interim report of the Company, which is expected to be published by the end of September 2024.

INTERIM DIVIDEND

Relevant resolution has been passed at a meeting of the Board held on August 15, 2024, and the Board has resolved to the distribution of the Interim Dividend of RMB0.16 (tax inclusive) per share, with a total amount of approximately RMB376.2 million. The dividend is expected to be paid on or about October 18, 2024.

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 Wednesday, September 25, 2024 to Friday, September 27, 2024, 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 Tuesday, September 24, 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group consistently emphasizes the importance of sustainable development and corporate social responsibility, and is committed to integrating sustainable development concepts into daily operations and strategy formulation, and follows ESG development trend and regulatory changes, to continuously improve our corporate governance structure and ESG management system. With the mission of "Letting the world fall in love with Chinese flavors", 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 2023 has been prepared with reference to Appendix C2 of the Listing Rules (Environmental, Social and Governance Reporting Guide) and published on the Company's and the Stock Exchange's websites on April 19, 2024.

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 (including sale of treasury shares) of the Company. As of June 30, 2024, the Company did not hold any of treasury shares.

AUDIT COMMITTEE

The Company established the Audit Committee with a set of written terms of reference made in compliance with the CG Code. As at the date of this announcement, the Audit Committee of the Company comprises 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 Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the six months ended June 30, 2024, 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, 2024 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 C1 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 C1 to the Listing Rules, and had complied with all applicable code provisions as set out in the CG Code since the January 1, 2024 and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX C3 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 C3 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, 2024 of the Company will be published on the aforementioned websites.

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

Hong Kong, August 15, 2024

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. YU Feng, and the independent non-executive Directors are Ms. XU Lili, Mr. ZHANG Bihong and Ms. XING Dongmei.