WANT WANT CHINA HOLDINGS LIMITED

中國旺旺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0151)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 September		
	2018	2017	Change
Key income statement items	***RMB'000***	*RMB'000*	*%*
		(Restated)	
Revenue	**9,248,125**	8,959,785	+3.2
Gross profit	**4,116,942**	3,885,279	+6.0
Operating profit	**1,772,352**	1,754,203	+1.0
Profit attributable to equity holders of the Company	**1,364,413**	1,274,100	+7.1
Key financial ratios	**%**	%	% point
Gross profit margin	**44.5**	43.4	+1.1
Operating profit margin	**19.2**	19.6	-0.4
Margin of profit attributable to equity holders of the Company	**14.8**	14.2	+0.6

The board (the "Board") of directors (the "Directors") of Want Want China Holdings Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2018 together with the comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 September 2018

		Unaudited	
		Six months ended 30 September	
	Note	**2018**	2017
		RMB'000	*RMB'000*
			(Restated)
Revenue	5	**9,248,125**	8,959,785
Cost of sales		**(5,131,183)**	(5,074,506)
Gross profit		**4,116,942**	3,885,279
Other (losses)/gains – net	6	**(4,343)**	74,831
Other income	7	**214,000**	199,096
Distribution costs		**(1,439,149)**	(1,284,653)
Administrative expenses		**(1,115,098)**	(1,120,350)
Operating profit		**1,772,352**	1,754,203
Finance income		**236,173**	160,010
Finance costs		**(123,770)**	(147,210)
Finance income – net		**112,403**	12,800
Share of losses of associates		**(3,697)**	(3,251)
Profit before income tax		**1,881,058**	1,763,752
Income tax expense	8	**(525,590)**	(495,587)
Profit for the period		**1,355,468**	1,268,165
Profit attributable to:			
– Equity holders of the Company		**1,364,413**	1,274,100
– Non-controlling interests		**(8,945)**	(5,935)
		1,355,468	1,268,165
Earnings per share for profit attributable to equity holders of the Company			
Basic earnings per share	9	**RMB10.96 cents**	RMB10.18 cents
Diluted earnings per share	9	**RMB10.96 cents**	RMB10.18 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Unaudited Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**1,355,468**	1,268,165
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Change in value of available-for-sale financial assets	–	4,959
Currency translation differences	**(518,869)**	168,305
Items that will not be reclassified subsequently to profit or loss		
Change in value of financial assets at fair value through other comprehensive income	**(3,869)**	–
Other comprehensive income for the period	**(522,738)**	173,264
Total comprehensive income for the period	**832,730**	1,441,429
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**845,022**	1,447,398
– Non-controlling interests	**(12,292)**	(5,969)
	832,730	1,441,429

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2018

	Note	**Unaudited 30 September 2018** ***RMB'000***	Audited 31 March 2018 *RMB'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,571,496**	7,800,800
Leasehold land and land use rights		**1,136,517**	1,149,627
Investment properties		**39,360**	39,293
Intangible assets		**15,307**	15,968
Investments in associates		**31,720**	28,859
Deferred income tax assets		**285,603**	248,560
Available-for-sale financial assets		**–**	46,962
Financial assets at fair value through other comprehensive income		**44,532**	–
Other non-current assets		**19,743**	–
Total non-current assets		**9,144,278**	9,330,069
Current assets			
Inventories		**2,900,407**	2,569,489
Trade receivables	11	**991,646**	1,146,340
Prepayments, deposits and other receivables		**635,710**	671,723
Financial assets at fair value through profit or loss		**480,344**	465,790
Cash and cash equivalents		**13,476,445**	12,499,692
Total current assets		**18,484,552**	17,353,034
Total assets		**27,628,830**	26,683,103

	Note	Unaudited 30 September 2018 *RMB'000*	Audited 31 March 2018 *RMB'000* (Restated)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**1,871,067**	1,871,067
Reserves		**11,619,156**	12,617,130
		13,490,223	14,488,197
Non-controlling interests		**99,320**	122,703
Total equity		**13,589,543**	14,610,900
LIABILITIES			
Non-current liabilities			
Borrowings		**7,931,881**	3,101,257
Deferred income tax liabilities		**199,638**	144,200
Other non-current liabilities		**99,936**	97,794
Total non-current liabilities		**8,231,455**	3,343,251
Current liabilities			
Trade payables	12	**1,250,401**	1,286,830
Accruals and other payables		**1,860,949**	1,902,794
Contract liabilities		**909,908**	1,320,652
Current income tax liabilities		**274,540**	415,820
Borrowings		**1,512,034**	3,802,856
Total current liabilities		**5,807,832**	8,728,952
Total liabilities		**14,039,287**	12,072,203
Total equity and liabilities		**27,628,830**	26,683,103

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

1. General information

Want Want China Holdings Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in the manufacturing and distribution of food and beverages. The Group's activities are primarily conducted in the People's Republic of China ("the PRC"), and its products are also sold to North America, East Asia, South-East Asia and Europe.

The Company was incorporated in the Cayman Islands on 3 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has had its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited since 26 March 2008.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 13 November 2018.

This condensed consolidated interim financial information has been reviewed, not audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared in accordance with HKAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the fifteen months ended 31 March 2018, which have been prepared in accordance with HKFRSs.

3. Accounting policies

The accounting policies applied are consistent with those of the financial statements for the fifteen months ended 31 March 2018, as described in those financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 March 2019.

(a) New standards, amendments and interpretation of HKFRSs adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these above standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

- Amendments to HKFRS 2 regarding classification and measurement of share-based payment transactions clarify the measurement basis for cash-settled share-based payments and the accounting for modification from cash-settled awards to equity-settled awards. It also introduces an exception to the principles in HKFRS 2 that requires an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- Amendments to HKFRS 4 'Insurance Contracts' provide two optional approaches to deal with the mismatched effective dates of HKFRS 9 and the new insurance contracts standard to replace HKFRS 4:

  (a) The overlay approach: all companies that issue insurance contracts have the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when HKFRS 9 is applied before the new insurance contracts standard is issued; and

  (b) The deferral approach: companies whose activities are predominantly connected with insurance have an optional temporary exemption from applying HKFRS 9 until 2021. Entities that defer the application of HKFRS 9 will continue to apply HKAS 39 'Financial Instruments: Recognition and Measurement'.

- Amendment to HKFRS 1 'First Time Adoption of HKFRS', is a part of the annual improvements to HKFRSs 2014-2016 Cycle. This deletes the short-term exemptions covering transition provisions of HKFRS 7, HKAS 19, and HKFRS 10. These transition provisions were available to entities for passed reporting periods and are therefore no longer applicable.

- Amendment to HKAS 28 'Investments in Associates and Joint Ventures', is a part of the annual improvements to HKFRSs 2014-2016 Cycle. This allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). This election should be made separately for each associate or joint venture at initial recognition.

- Amendments to HKAS 40 regarding transfers of investment property, clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. A change in intention, in isolation, is not enough to support a transfer.

- HK (IFRIC) 22 'Foreign Currency Transactions and Advance Consideration', clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted by the Group:

(i) HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB129,479,000. Part of these are related to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

(ii) HK (IFRIC) 23 'Uncertainty over Income Tax Treatments', effective for annual periods beginning on or after 1 January 2019.

(iii) Amendments to HKAS 28 'Investments in Associates or Joint Ventures', originally intended to be effective for annual periods beginning on or after 1 January 2016, now the effective date is to be determined. There are some new amendments issued in January 2018 which are effective for annual periods beginning on or after 1 January 2019.

(iv) Amendments to HKFRS 3 'Business Combinations', effective for annual periods beginning on or after 1 January 2019.

(v) Amendments to HKFRS 11 'Joint Arrangements', effective for annual periods beginning on or after 1 January 2019.

(vi) Amendments to HKAS 12 'Income Taxes', effective for annual periods beginning on or after 1 January 2019.

(vii) Amendments to HKAS 23 'Borrowing Costs', effective for annual periods beginning on or after 1 January 2019.

(viii) Amendments to HKAS 19 'Employee Benefits', effective for annual periods beginning on or after 1 January 2019.

4. **Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The Group has adopted HKFRS 15 using the full retrospective approach and has restated comparatives for the 2017 financial year.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	**31 March 2018 As originally presented**	**HKFRS 15**	**31 March 2018 Restated**	**HKFRS 9**	**1 April 2018 Restated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Available-for-sale financial assets ("AFS")	46,962	–	46,962	(46,962)	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	–	46,962	46,962
Accruals and other payables	3,223,446	(1,320,652)	1,902,794	–	1,902,794
Contract liabilities	–	1,320,652	1,320,652	–	1,320,652

Statement of profit or loss and other comprehensive income (extract) – 6 months to 30 September 2017	**As originally presented**	**HKFRS 15**	**Restated**
	RMB'000	***RMB'000***	***RMB'000***
Revenue	9,005,676	(45,891)	8,959,785
Distribution cost	1,330,544	(45,891)	1,284,653

(b) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 4(c) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 April 2018	Notes	**AFS** *RMB'000*	**FVOCI** *RMB'000*
Closing balance 31 March 2018 – HKAS 39		46,962	–
Reclassify non-trading equities from AFS to FVOCI	(a)	(46,962)	46,962
Opening balance 1 April 2018 – HKFRS 9		–	46,962

The impact of these changes on the Group's equity is as follows:

	Notes	**Effect on available-for-sale financial assets reserves** *RMB'000*	**Effect on FVOCI reserves** *RMB'000*
Opening balance 1 April 2018 – HKAS 39		28,699	–
Reclassify non-trading equities from AFS to FVOCI	(a)	(28,699)	28,699
Opening balance 1 April 2018 – HKFRS 9		–	28,699

(a) Equity investments previously classified as AFS

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB46,962,000 were reclassified from AFS to financial assets at FVOCI and fair value gains of RMB28,699,000 were reclassified from the available-for-sale financial assets reserves to the FVOCI reserves on 1 April 2018.

(ii) Impairment of financial assets

The Group has trade receivables for sales of products that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any impact on the amounts reported in the opening balance sheet on 1 April 2018 and the financial information during the six months ended 30 September 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60-90 days past due.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

(c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 April 2018

(i) Investments and other financial assets

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 April 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative instruments held by the Group do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

(d) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 April 2018):

	HKAS 18 carrying amount 31 March 2018	**Reclassification**	**HKFRS 15 carrying amount 1 April 2018**
	RMB'000	***RMB'000***	***RMB'000***
Accruals and other payables	3,223,446	(1,320,652)	1,902,794
Contract liabilities	–	1,320,652	1,320,652

There was no impact on the Group's retained earnings as at 1 April 2018 and 1 January 2017.

(i) Accounting for refunds

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying HKFRS 15.

(ii) Accounting for customer loyalty programme

The Group didn't introduce any customer loyalty programme which is likely to be affected by the HKFRS 15.

(iii) Accounting for payment to customer

The application of HKFRS 15 may result in the consideration payable to a customer recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer. As a consequence, revenue and distribution costs for the six months to 30 September 2017 decreased by RMB45,891,000. For the six months to 30 September 2018, revenue and distribution costs decreased by RMB48,377,000.

(iv) Presentation of assets and liabilities related to contracts with customers

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15:

Contract liabilities in relation to advance receipts from customers were previously included in accruals and other payables (RMB1,320,652,000 as at 1 April 2018).

(e) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

Sales of goods

The Group manufactures and sells rice crackers, dairy products and beverages, snack foods and other products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The rice crackers, dairy products and beverages, snack foods and other products are often sold with retrospective volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in accruals and other payables) is recognised for expected volume discounts payable to customers in relation to sales. No element of financing is deemed present as the sales are made with a credit term of 60-90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. Segment information

The chief operating decision-maker has been identified as the executive Directors. The executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on their reports.

The executive Directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of segment profit or loss. Management assesses the performance of rice crackers, dairy products and beverages, snack foods and other products.

The Group's operations are mainly organized under four business segments, including manufacturing and sale of:

– Rice crackers, including sugar coated crackers, savoury crackers and fried crackers, gift packs;

– Dairy products and beverages, including flavoured milk, room-temperature yogurt, yogurt drinks, ready-to-drink coffee, juice drinks, sports drinks, herbal tea and milk powder;

– Snack foods, including candies, popsicles, ball cakes and jellies, beans, nuts and others; and

– Other products, including mainly wine and other food products.

Over 90% of the Group's revenue and business activities are conducted in the PRC.

The executive Directors assess the performance of the business segments based on profit before income tax without allocation of finance income-net and share of losses of associates, which is consistent with that in the financial statements.

The segment information for the six months ended 30 September 2018 is as follows:

	Six months ended 30 September 2018					
	Rice crackers *RMB'000*	**Dairy products and beverages** *RMB'000*	**Snack foods** *RMB'000*	**Other products** *RMB'000*	**Unallocated** *RMB'000*	**Group** *RMB'000*
Segment results						
Revenue	**1,859,329**	**4,690,316**	**2,675,834**	**22,646**	**–**	**9,248,125**
Timing of revenue recognition at a point in time	**1,859,329**	**4,690,316**	**2,675,834**	**22,646**	**–**	**9,248,125**
Segment profit/(loss)	**261,331**	**1,333,516**	**493,668**	**908**	**(317,071)**	**1,772,352**
Finance income-net						**112,403**
Share of losses of associates						**(3,697)**
Profit before income tax						**1,881,058**
Income tax expense						**(525,590)**
Profit for the period						**1,355,468**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**118,838**	**168,529**	**115,515**	**608**	**8,200**	**411,690**
Amortisation of leasehold land and land use rights	**3,131**	**7,053**	**3,067**	**611**	**102**	**13,964**
Depreciation of investment properties	**–**	**–**	**–**	**730**	**–**	**730**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**1,365**	**1,365**
Capital expenditure	**40,733**	**78,195**	**12,606**	**16,428**	**33,698**	**181,660**

The segment assets and liabilities as at 30 September 2018 are as follows:

	30 September 2018					
	Rice crackers *RMB'000*	**Dairy products and beverages** *RMB'000*	**Snack foods** *RMB'000*	**Other products** *RMB'000*	**Unallocated** *RMB'000*	**Group** *RMB'000*
Segment assets and liabilities						
Segment assets	**2,784,949**	**7,236,178**	**3,352,157**	**119,937**	**147,100**	**13,640,321**
Cash and cash equivalents						**13,476,445**
Financial assets at fair value through profit or loss						**480,344**
Investments in associates						**31,720**
Total assets						**27,628,830**
Segment liabilities	**1,201,405**	**2,116,367**	**1,116,787**	**10,391**	**150,422**	**4,595,372**
Borrowings						**9,443,915**
Total liabilities						**14,039,287**

The segment information for the six months ended 30 September 2017 is as follows:

	Six months ended 30 September 2017					
	Rice crackers *RMB'000*	Dairy products and beverages *RMB'000*	Snack foods *RMB'000*	Other products *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment results						
Revenue (restated)	1,872,674	4,562,393	2,496,394	28,324	–	8,959,785
Timing of revenue recognition at a point in time	1,872,674	4,562,393	2,496,394	28,324	–	8,959,785
Segment profit/(loss)	259,949	1,317,130	447,519	(10,106)	(260,289)	1,754,203
Finance income-net						12,800
Share of losses of associates						(3,251)
Profit before income tax						1,763,752
Income tax expense						(495,587)
Profit for the period						1,268,165
Other segment items included in the income statement						
Depreciation of property, plant and equipment	125,825	167,502	144,146	836	10,523	448,832
Amortisation of leasehold land and land use rights	3,975	7,053	2,981	610	103	14,722
Depreciation of investment properties	–	–	–	759	–	759
Amortisation of intangible assets	–	–	–	–	554	554
Capital expenditure	13,145	40,167	33,932	17,652	26,605	131,501

The segment assets and liabilities as at 31 March 2018 are as follows:

	31 March 2018					
	Rice crackers *RMB'000*	Dairy products and beverages *RMB'000*	Snack foods *RMB'000*	Other products *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment assets and liabilities						
Segment assets	2,709,716	7,413,141	3,301,756	121,739	142,410	13,688,762
Cash and cash equivalents						12,499,692
Financial assets at fair value through profit or loss						465,790
Investments in associates						28,859
Total assets						26,683,103
Segment liabilities	1,335,411	2,352,429	1,241,354	11,550	227,346	5,168,090
Borrowings						6,904,113
Total liabilities						12,072,203

6. Other (losses)/gains – net

	Six months ended 30 September	
	2018 ***RMB'000***	2017 *RMB'000*
Net foreign exchange (losses)/gains	**(31,004)**	32,983
Losses on disposal of property, plant and equipment, net	**(3,818)**	(592)
Gains on dispoal of leasehold land and land use rights	**3**	2,612
Donation expenses	**(2,168)**	(2,900)
Gains on fair value re-measurement of financial assets at fair value through profit or loss	**14,555**	24,521
Gains on disposal of financial assets at fair value through profit or loss	**–**	579
Others	**18,089**	17,628
Total	**(4,343)**	74,831

7. Other income

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Government grants	**174,844**	168,279
Sale of scraps	**30,806**	23,678
Rental income from investment properties, net	**1,861**	1,352
Others	**6,489**	5,787
Total	**214,000**	199,096

8. Income tax expense

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
– Chinese mainland	**500,205**	481,551
– Taiwan region	**4,031**	3,470
– Hong Kong Special Administrative Region and overseas	**195**	87
	504,431	485,108
Deferred income tax	**21,159**	10,479
Total	**525,590**	495,587

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

9. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	**1,364,413**	1,274,100
Weighted average number of ordinary shares in issue (thousands)	**12,449,287**	12,514,049
Basic earnings per share	**RMB10.96 cents**	RMB10.18 cents

(b) Diluted

Diluted earnings per share are the same as the basic earnings per share since the Company does not have diluted shares.

10. Dividends

Final dividend and special dividend of RMB1,842,996,000 for the fifteen months ended 31 March 2018 was paid in August 2018 (for the fifteen months ended 31 March 2018: RMB1,803,847,000).

An interim dividend for the six months ended 30 September 2018 of US0.53 cent per share (the first interim dividend for the six months ended 30 June 2017: US0.48 cent and the second interim dividend for the three months ended 30 September 2017: US0.48 cent) was declared by the Board of Directors on 13 November 2018. It is payable on or about 14 December 2018 to shareholders who are on the register of members of the Company on 30 November 2018. This interim dividend, amounting to RMB438,670,000 (as at 30 September 2017: RMB398,462,000), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognized in shareholders' equity in the financial year ending 31 March 2019.

As at 30 September 2017, the interim dividend for the six months ended 30 June 2017, amounting to RMB398,663,000 was recognised as a liability and in shareholders' equity in this condensed consolidated interim financial information.

11. Trade receivables

	30 September 2018 *RMB'000*	31 March 2018 *RMB'000*
Trade receivables		
– from third parties	**1,038,826**	1,198,025
– from related parties	**16,782**	12,255
	1,055,608	1,210,280
Less: provision for impairment	**(63,962)**	(63,940)
Trade receivables, net	**991,646**	1,146,340

Most of the Group's sales are on cash-on-delivery basis whereas those made through modern distribution channels are normally on credit terms ranging from 60 to 90 days (for the fifteen months ended 31 March 2018: 60 to 90 days).

As at 30 September 2018 and 31 March 2018, the ageing analysis of trade receivables based on invoice date is as follows:

	30 September 2018 *RMB'000*	31 March 2018 *RMB'000*
Within 60 days	**628,971**	438,711
61-90 days	**122,685**	477,733
91-180 days	**203,274**	202,214
181-365 days	**35,979**	21,366
Over 365 days	**64,699**	70,256
Total	**1,055,608**	1,210,280

12. Trade payables

As at 30 September 2018 and 31 March 2018, the ageing analysis of the trade payables is as follows:

	30 September 2018 *RMB'000*	31 March 2018 *RMB'000*
Within 60 days	**1,164,818**	1,206,949
61 to 180 days	**74,727**	65,446
181 to 365 days	**4,035**	2,630
Over 365 days	**6,821**	11,805
Total	**1,250,401**	1,286,830

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

According to the latest data released by the National Bureau of Statistics of China on 19 October 2018, China's gross domestic product (GDP) grew at 6.7% and 6.5% year-on-year for the second quarter and third quarter of 2018, respectively. In light of the steady albeit slower growth of the national economy and the volatility in the international economy and the financial market, companies need to constantly innovate and make changes to adapt themselves to the new circumstances and progress forward in spite of the headwinds.

During the period from 1 April 2018 to 30 September 2018 (the "first half of FY2018"), the underlying performance of the Group in the Chinese mainland posted a mid-single-digit year-on-year revenue growth. However, due to the adjustments in accounting policies and weakening sales in overseas, total revenue of the Group increased by 3.2% to RMB9,248.1 million, as compared with that of the period from 1 April 2017 to 30 September 2017 (the "first half of FY2017") (first half of FY2017 (Restated): RMB8,959.8 million). Benefiting from the product mix optimisation, the gross profit margin of the Group for the first half of FY2018 increased by 1.1 percentage points to 44.5%, as compared with that of the same period in the previous year. Total operating expenses (total distribution costs and administrative expenses) amounted to RMB2,554.2 million, representing 27.7% of total Group's revenue.

As a result, the profit attributable to equity holders of the Company for the first half of FY2018 reached RMB1,364.4 million, representing an increase of 7.1% as compared with that of the same period in the previous year, and the margin of profit attributable to equity shareholders of the Company increased by 0.6 percentage point to 14.8%.

OUTLINES OF BUSINESS STRATEGIES

In recent years, the Group continued to focus on the construction of diversified channels, the exploration of new emerging channels and the maintenance and displays at the points of sales in order to enhance its competitive advantages in the mid- and long-terms. Through upgrading existing products and deploying up-to-date popular business models which enable the Group to get closer to the consumers and interact with consumers effectively, the Group would be able to make its brands and products keep up with the trends and satisfy the diverse demands of different targeted consumer groups.

Channel diversification

For traditional channels, the Group stayed close to changes in consumer demand, introduced new products and upgraded existing products. The Group also implemented targeted marketing management according to the product features and geographical characteristics. The continuous optimisation of sales policies ensured the profitability of both the Group and the distributors, so as to maintain a win-win relationship for long-term cooperation. Meanwhile, the Group strengthened specialty and lively product displays at points of sales to achieve a close interaction with consumers. Benefiting from the effectiveness of such strategies, sales through traditional channels maintained a steady single-digit growth in the first half of FY2018.

For the exploration of emerging channels, the Group commenced strategic cooperation with various platforms, brands and media to create hot topics, which enhanced users' loyalty, and at the same time achieved the desired brand positioning. By introducing constantly eye-catching personalised products, the Group continued to create purchasing desire. Meanwhile, the Group effectively integrated online and offline sales to supplement the coverage of points of sales. With the aforesaid benefits, sales through e-commerce channels continued to maintain a strong momentum of doubling growth in the first half of FY2018, while the development of maternity and other emerging channels was also in swift progress.

Product upgrades and profitability enhancement

The Group upgraded its products continuously and emphasised on both taste and health aspects. New products, such as "Dongchi" which is a dairy-based ice-cream product in a brand new Tetra Pak package, "premium high protein Hot-Kid milk" with high milk protein content and the "rice potato chips (non-fried)", achieved good results, leading to a higher revenue contribution from new products in the first half of FY2018 as compared with that of the previous years. Through continuous optimisation of its product portfolio and the product price ranges, profitability could be maintained. Meanwhile, the Group paid attention to brand development and brand positioning for targeted consumer groups, for example, the "Queen Alice" brand was tailored for the young and fashionable female consumers.

Digital marketing

To get closer to the young generation, the Group continued to carry out marketing activities towards brand rejuvenation and marketing customisation in diversified forms. The Hot-Kid Club continued to expand its operation platform and extend the brand influence. This year, Want Want was also named as one of the top three food and beverage brands by a well-known short video social media called "Douyin".

Endless festival-themed activities

Following the "Make Bigger" event launched last year, the Hot-Kid Club created an online topic of "Want Want's New Products Release" on April Fools' Day this year, releasing serial products online including snacks, skincare products and apparels which aroused heated discussion on the internet. In November this year, the joke on April Fools' Day materialised: Want Want launched co-branded crossover series with local fashion brands and famous skincare and make-up brands during the "Double 11" event. Due to successful cross-industry marketing, our products were so popular among "Want Want fans" that they were promptly sold out after the launch and became a hot topic online and in the media.

Customised marketing

The Group increased consumer awareness towards its brands and products through launching customized marketing plans according to the product characteristics and the needs of target customer groups and with the help of the new product recommendations shared by KOL (Key Opinion Leader) in related field in various major social media.

Through product placement in movies and television programs, Want Want products appeared in various scenes in the movie or television programs which increased the appeal of Want Want brand to consumers. For example, the Group collaborated with the movie "Magical Circus" and launched the "animal family biscuits" for the attraction of childhood fantasy. This boosted product sales and at the same time enriched the brand elements.

Creating a "tasteful cultural and creative industry"

The Group launched the "Want Want Wonderland Project" with the theme of "internet + cultural and creative industry + food", to encourage young people to create a new product that is infused with "culture + creativity + food" concepts. Strong backup resources will be provided to the finalist of young maker teams with an aim to cultivating new talents in cultural and creative food industry.

REVENUE

In the first half of FY2018, growth was recorded in the revenue from all channels and the three key product segments in the Chinese mainland. In terms of the Group's total revenue attributable to the three key product segments, revenue from rice crackers and snack foods segments together accounted for 49.0% of the Group's total revenue, while that from dairy products and beverages segment accounted for 50.7% of the Group's total revenue.

Rice crackers

In the first half of FY2018, rice crackers segment achieved a revenue of RMB1,859.3 million, representing a slight decrease of 0.7% as compared with that of the same period in the previous year, which was due mainly to the sales order shipment adjustment in overseas which had a temporary negative impact on rice crackers export sales and our strategic decision to limit the lowmargin sub-brand rice crackers sales from profitability consideration. Nevertheless, rice crackers segment still achieved a single-digit growth in the Chinese mainland. In terms of core products such as core-brand rice crackers and gift packs, or in terms of traditional channels which accounted for the largest proportion of revenue and the emerging e-commerce channels, rice crackers segment recorded growth to various extents and continued to maintain its market leading position.

In 2018, rice crackers segment launched series of unique new products. With diversified marketing modes to enhance interactions with consumers, new driving force was brought to the growth of rice crackers channels. "rice potato chips (non-fried)", which were sold mainly in traditional channels, strengthened the "healthy and lightweight" concept, and has been well received since its launch. "600g Jingdong gift pack" and "Want Want snacks box", which were personalised new products launched through e-commerce channels, became popular among younger generations. By broadening maternity sales channels such as commencing cooperation with famous maternity platforms and establishing e-commerce flagship stores for the brand "Baby Mum-Mum", the Group extended the reach of "Baby Mum-Mum" products to the wider consumers and increased the market share of products.

With the advent of the traditional Chinese New Year peak season, the Group will introduce a new rice cracker product "Tian She Mi Shao" produced with glutinous rice. The new product is healthy and nutritious with unique texture. The introduction of various co-branded gift packs and the optimisation and upgrades on existing gift packs will bring refreshing feelings to consumers. In addition, the Group will continue to plan for expansion into overseas markets to drive the mid-and long-term development of rice crackers segment.

Dairy products and beverages

In the first half of FY2018, the revenue from dairy products and beverages increased by 2.8% to RMB4,690.3 million as compared with that of the same period in the previous year. During the period, the revenue of "Hot-Kid milk", which accounted for over 90% of the segment's revenue, increased by 3.3% year-on-year while sales through all channels, including traditional channels as well as the emerging channels, also achieved growth, further increasing the market penetration rate of "Hot-Kid milk".

For e-commerce channels, the Group actively cooperated with major e-commerce platforms and explored emerging retail methods, aiming to seize market opportunities and expand the coverage of points of sales. In the first half of FY2018, sales of dairy products and beverages through e-commerce channels continued to maintain a doubling growth momentum. Through constantly investing resources in modern channels, the visibility of products was enhanced, while the success of differentiated strategy, particularly customization of specific product packing size or packaging, led to a mid-single-digit growth of the sales of dairy products and beverages through modern channels. By strengthening displays at points of sales and investing resources, sales through traditional channels made steady progress, particularly in second-and third-tier cities.

Meanwhile, the Group developed and launched new products actively to enhance its product offerings. For example, "premium high protein Hot-Kid milk" was launched to cater the demands for consumption upgrades and health appeals. Through promotion activities using buses with the theme "Extra warmth", the product gained wider recognition and satisfactory results were achieved in the first half of FY2018. Going forward, the Group will introduce new beverage product series with distinctive features and functions such as "lactic acid water", "Mr. Bond Coffee", "bitter herbal tea" in its offerings for consumers with diverse demands.

Snack foods

Revenue of snack foods reached RMB2,675.8 million for the first half of FY2018, representing an increase of 7.2% as compared with that of the same period in the previous year. Sales of candies, its key products, achieved a double-digit growth, sales of beans, nuts and others (mainly jellies and biscuits) achieved a high-single-digit growth and sales of popsicles also enjoyed a high single-digit growth. Sales in snack foods demonstrated a balanced development momentum in different channels with mid-to-high single-digit growth.

In 2018, the Group launched a "heavyweight" new popsicle product, "Dongchi", being the world's first dairy-based "ice-cream" with aseptic packaging. With its innovative packaging and eating method, the product was awarded the "Excellent Food Award" in the "2018 Hello Foods Prize". In line with the promotion of such new product, the Group started an online musical event on popular social platforms such as Douyin, Weibo and WeChat, with the theme "Tear open the package and enjoy the moment", and over 14,000 food tasting events were held at points of sales. As a result, the product became a consumer favourite snack quickly and achieved revenue of over RMB100 million.

"QQ gummy", a star product of the Group, was back on track this year. With the recovery of the gummy market and by optimising the pricing strategy and strengthening specialty product display promotions, "QQ gummy" achieved double-digit growth in all channels in the first half of FY2018. The Group introduced the "Hot-Kid Lucky Toffee" (special edition) for the National Joint Entrance Examination. Through online interactions together with offline channel promotions, the product successfully captured the heart of consumers.

At the same time, the Group based on the characteristics of snack foods, large varieties of products for a wide range of consumers, and set the target groups for products, established rapport with consumers through brand segmentation product appeal and precise sales and marketing. For example, after launching the brand "Mr. Hot" for young people who are fond of strong flavours, the Group launched the "Want Want Special series" products to attract the "slashy-youth" group (refers to a group of people with diversified lifestyle who possess multi careers and identities) who are yearning for diverse experience, which led to the high-single-digit growth in the sales of "beans and other".

COST OF SALES

In the first half of FY2018, the cost of sales of the Group amounted to RMB5,131.2 million, representing an increase of 1.1% as compared with that of the same period in the pervious year. The cost of sales of the Group included primarily cost of key raw materials (such as packaging materials, milk powder, sugar, rice and palm oil), direct labour and manufacturing costs such as utility expenses. The Group's diversified product strategy effectively diversified the risk and reduced the impact of price fluctuations of raw materials and packaging materials on profitability. Meanwhile, the Group will continue to optimize its production network and enhance automation to improve labour efficiency.

GROSS PROFIT

Benefiting from the launch of new products with high gross profit margin and the success of strategies corresponding to product optimisation and upgrading, the Group's gross profit margin in the first half of FY2018 was 44.5%, representing an increase of 1.1 percentage points as compared with that of the same period in the previous year; the gross profit amounted to RMB4,116.9 million, representing an increase of 6.0% as compared with that of the same period in the previous year. The management will continue to focus on product differentiation strategy for the mid- and long-term sustainable development of the Company and strategic advantage.

Rice crackers

The gross profit margin of rice crackers was 39.0% for the first half of FY2018, representing an increase of 0.7 percentage point as compared with that of the same period in the previous year, which was mainly due to the combined effect of launch of new products (such as rice potato chips and fine "Jingchun" rice crackers), the optimisation of sales mix and strategy adjustment to optimize profitability. In the future, the Group will continue to promote automated production, and stablise cost structure and gross profit margin by optimising allocations for regional production resources.

Dairy products and beverages

The gross profit margin of dairy products and beverages was 46.9% for the first half of FY2018, representing an increase of 0.7 percentage point as compared with that of the same period in the previous year. This is due to the success of profit improvement strategies, such as improvement of product mix and upgrading of packing specification and differentiated product offerings, which effectively improved the overall products profitability. With the planned expansion of the types of dairy products and beverages, the profitability of such segment will also be strengthened.

Snack foods

The gross profit margin of snack foods was 44.1% for the first half of FY2018, representing an increase of 1.8 percentage points as compared with that of the same period in the previous year, which was due mainly to the comparatively high gross profit margin of "Dongchi", our new product, the improvement in the utilisation rate of production lines as a result of the topline growth, and the success of various profit improvement strategies. In addition, the fall in white sugar price in the first half of FY2018, to a certain extent, also contributed to the increase in gross profit margin. In the future, while grasping the changing preferences of consumers, the Group will continue to upgrade products, customise products for different channels and consolidate production lines for intensive production, which will enable us to continuously maintain a relatively stable profitability for this segment.

OUTLOOK FOR THE SECOND HALF OF 2018 FINANCIAL YEAR ("FY2018")

In the second half of FY2018, the Group will continue its strategy of "differentiated products + diversified marketing" for the development of new products, emerging channels and untapped markets. The Group will keep closer ties between the brands and consumers by implementing innovative and precise brand marketing and combining efforts online and offline.

Channel diversification and resources investment

The Group will continue the customisation strategy of "brand + channels" and "differentiated products + channels", and will increase our resource investment. For traditional channels, the Group will further penetrate into the market and conduct differentiated and focused management, taking into consideration the product features and regional consumption habits. During Chinese New Year, the Group will increase product displays and related resources and support and organise themed events, such as setting up separate promotion areas for rice crackers and hanging up advertisement banners for jelly products. We will introduce themed products for a series of marriage candies through IP cross-sector collaboration and focus on product stories to attract consumers' attentions and to purchase our products. For e-commerce channels, activities for "Double 11 (Singles' Day)" in 2018 were based on cross-sector marketing. The Group launched co-branded limited edition apparels with young trendy brands and limited edition facial masks with beauty brands. Due to the popular image IP of Hot-Kid, the collaborations has become a top topic of various social media.

Differentiated operation of products

The Group will continue to develop diversified products in the second half of the year. With the development and promotion of new products, the structure and pricing of products will be improved, and hopefully this will lead to more promising development of the Group's products. In the second half of the year, we will focus on promoting consumption upgrade products such as the premium high protein Hot-Kid milk and "Lonely God" serial products. New beverages such as nutritional drink – "Sha" and Mr. Bond Milkshake will be gradually introduced in the second half of the year. The Group will continue to take various measures including digital marketing to make consumers understand and accept our new products more readily.

As the traditional Chinese New Year is approaching in the second half of FY2018, the Group will focus on the promotions of highlighted New Year products including gift packs, "Lonely God" series and jellies to start off the busy peak season. The "Want Want Gift Pack", the key Chinese New Year product of the Group, with its festive red package design will surely arouse the jubilant atmosphere of Chinese New Year. The Group will place traditional New Year promotional products with Want Want elements into our products. In addition, the Hot-Kid filial story bags will also be included to enhance the warm family feeling. As for the content of gift packs, new products of the Group will be included so that the Want Want Gift Pack will present traditional culture and give consumers new excitment at the same time. For brand promotion, with an aim to gaining brand popularity, the Group will hold a "Want Want lucky draw" event for everyone to try their luck by scanning codes and accepting "likes".

In the second half of the year, the Group will extend its establishment in the overseas market with more resources to be invested overseas. We will carry out regional and differentiated management and development for overseas markets so that more Want Want products can reach the hands of overseas consumers.

Distribution costs

The distribution costs for the first half of FY2018 amounted to RMB1,439.1 million, representing an increase of RMB154.5 million or 12.0% as compared with that of the same period in the pervious year. Distribution costs as a percentage of revenue increased by 1.3 percentage points to 15.6% as compared with that of the same period in the previous year. It was due mainly to an increase of advertising and promotion expenses as a percentage of revenue by 0.7 percentage point to 3.7%, as compared with 3.0% for the same period in the pervious year, as a result of the Group's increased investment in the resources for emerging channels and modern channels, devotion in the investments in promotion resources for branding and channels which helped to increase the overall market coverage of Want Want products.

For the first half of FY2018, the transportation expenses as a percentage of revenue increased by 0.2 percentage point to 4.0%, as compared with 3.8% for same period in the pervious year. Besides, the labour costs as a percentage of revenue increase by 0.4 percentage point to 6.4%, as compared with that of the same period in the pervious year, due mainly to the increase in the number of sales representatives as a results of the adjustment to Group's sales orgainsation structure.

Administrative expenses

The Group remained committed to the effective management on resources utlization and efficiency and the realisation of operating leverage.The administrative expenses of the Group decreased slightly by 0.5% from RMB1,120.4 million for the same period in the pervious year to RMB1,115.1 million for the first half of FY2018. Administrative expenses as a percentage of revenue for the first half of FY2018 was 12.1%, representing a decrease of 0.4 percentage point from that of the same period in the pervious year.

Operating profit

Due to combined effect of the increase of 1.1 percentage points in gross profit margin and the increase of 12.0% in distribution costs for the first half of FY2018, the Group's operating profit for the first half of FY2018 still managed to increase by RMB18.15 million or 1.0% to RMB1,772.4 million, as compared with that for the same period in the pervious year, with an operating profit margin of 19.2%.

Income tax expense

The Group's income tax expense for the first half of FY2018 was RMB525.6 million, and the income tax rate was 27.9%, representing a decrease of 0.2 percentage point as compared with that for the same period in the previous year.

Profit attributable to equity holders of the Company

Profit attributable to the equity holders of the Company for the the first half of FY2018 amounted to RMB1,364.4 million, representing an increase of 7.1% as compared with that for the same period in the pervious year. The margin of profit attributable to equity holders of the Company was 14.8%, representing an increase of 0.6 percentage point as compared with that for the same period in the pervious year.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Borrowings

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by our principal bankers. As at 30 September 2018, our bank balances and deposits amounted to RMB13,476.4 million (31 March 2018: RMB12,499.7 million), in which Renminbi accounted for approximately 93% or approximately RMB12,587.3 million, representing an increase of RMB976.7 million as compared with that as at 31 March 2018.

As at 30 September 2018, our total borrowings amounted to RMB9,443.9 million (31 March 2018: RMB6,904.1 million), representing an increase of RMB2,539.8 million as compared with that as at 31 March 2018. The long-term borrowings, including the guarantee bonds issued, amounted to RMB7,931.9 million (31 March 2018: RMB3,101.3 million), representing an increase of RMB4,830.6 million as compared with that as at 31 March 2018. The short-term borrowings, including the private placement notes, amounted to RMB1,512.0 million (31 March 2018: RMB3,802.9 million), representing a decrease of RMB2,290.9 million as compared with that as at 31 March 2018.

In May 2013, the Group issued US$600.0 million 5-year term guaranteed unsecured senior notes (the "Notes"), with a coupon rate of 1.875%. The Notes were fully settled at maturity in May 2018.

In April 2017, the Group issued US$500.0 million 5-year term guaranteed bonds (the "Bonds"), with a coupon rate of 2.875%. As at 30 September 2018, the balance of the Bonds payable amounted to US$494.0 million.

In June 2018, the Group issued the private placement notes issue in an amount of RMB 500.0 million for a term of 1 year with coupon rate of 5.4% per annum ("Private Placement Notes Issue") in the interbank market of the People's Republic of China. As at 30 September 2018, the balance of the Private Placement Notes payable amounted to RMB500.0 million.

The Group's net gearing ratio (total borrowings net of cash and cash equivalents as a percentage of total equity (excluding non-controlling interests)) as at 30 September 2018 was -0.30 time (31 March 2018: -0.39 time). At present, we maintain sufficient cash and available banking facilities for our working capital requirements and for capitalizing on any potential investment opportunities in the future. The management will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

For the period from April to September 2018, our cash and cash equivalents increased by RMB976.7 million. Among which, RMB1,059.6 million of net cash inflow was generated from our operating activities. Net cash outflow for financing activities was RMB64.30 million, mainly consists of payments in dividends of RMB1,843.0 million and net borrowing inflow of RMB1,839.0 million. The net cash outflow for investment activities was RMB178.1 million.

Capital expenditure

For the period from April to September 2018, our total capital expenditure amounted to RMB181.7 million (January 2017 to March 2018: RMB419.9 million). We spent approximately RMB40.73 million, RMB78.20 million and RMB12.61 million for expansion of factory buildings and facilities including plant and equipment and upgrade of some of the old plant and production facilities for rice crackers, dairy products and beverages and snack foods, respectively, so as to prepare for the further growth of our Group. The remaining capital expenditure was made mainly for the purpose of adding facilities for information technology, packaging, etc.

The above capital expenditure was financed mainly by our internally generated cash flows and banking facilities.

Inventory analysis

Our inventory consists primarily of finished goods, goods in transit and work in progress for rice crackers, dairy products and beverages, snack foods and other products, as well as raw materials and packaging materials.

The following table sets forth the number of our inventory turnover days for the six months ended 30 September 2018 and for the fifteen months ended 31 March 2018:

	Six months ended 30 September 2018	Fifteen months ended 31 March 2018
Inventory turnover days	**96**	81

As at 30 September 2018, inventory amount was RMB2,900.4 million (31 March 2018: RMB2,569.5 million).

Trade receivables

Our trade receivables represent the receivables from our customers. The terms of credit granted to our customers are usually 60 to 90 days. Our sales to most of the customers in mainland China are conducted on a cash-on-delivery basis. We only grant credit to customers in our modern distribution channels and certain emerging channels, which then on-sell our products to end-consumers.

The following table sets forth the number of our trade receivables turnover days for the six months ended 30 September 2018 and for the fifteen months ended 31 March 2018:

	Six months ended 30 September 2018	Fifteen months ended 31 March 2018
Trade receivables turnover days	**21**	22

Trade payables

Our trade payables relate mainly to the purchase of raw materials from our suppliers with credit terms generally between 30 days and 60 days after receipt of goods and invoices.

The following table sets forth the number of our trade payables turnover days for the six months ended 30 September 2018 and for the fifteen months ended 31 March 2018:

	Six months ended 30 September 2018	Fifteen months ended 31 March 2018
Trade payables turnover days	**45**	43

Pledge of assets

As at 30 September 2018, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

For the period from April to September 2018, our average number of employees was approximately 45,730, representing a decrease of 1,550 employees as compared with average number of employees in the period from 1 January 2017 until the end of March 2018. Our total remuneration expenses for the period from April to September 2018 amounted to RMB1,905.6 million, representing an increase of 7.1% as compared with that for the period from April to September 2017. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance-based year-end bonuses having regard to the performance of the Group and the individual.

We have always invested in significant resources in the continuing education and training programmes of our employees. Training programmes, both external and internal, are also provided to relevant staff as and when required to constantly improve their professional knowledge and skills.

FOREIGN EXCHANGE RISKS

The presentation currency of the Group has been changed to RMB from USD since 2016 but the Company's functional currency is still USD. More than 90% of our activities are conducted in the Chinese mainland, our Chinese mainland subsidiaries' functional currency is RMB. Foreign exchange risks arise mainly from procurement of raw materials and equipment from overseas, dividend payments and certain recognised assets and liabilities.

As procurement of raw materials and equipment from overseas and USD denominated borrowings of the Group are recognised in the financial statements of the subsidiaries of the Group whose functional currency is USD, the assets and liabilities subject to foreign exchange risks are minimal and the relevant exposure after offsetting is not significant. As such, RMB does not have a significant impact on exchange gains and losses presented on the consolidated income statement within "other gains – net". During the year, the Group did not hedge against its foreign exchange risks.

AUDIT COMMITTEE

The Audit Committee comprises five independent non-executive Directors, namely Mr. Toh David Ka Hock (chairman), Dr. Pei Kerwei, Mr. Lee Kwang-Chou, Mr. Hsieh Tien-Jen and Mr. Lee Kwok Ming.

The unaudited interim results of the Group for the six months ended 30 September 2018 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2018, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviations from the code provisions A.2.1 and A.4.1. The reasons for these deviations are explained below.

Code provision A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same person. Our Company deviates from this provision because Mr. Tsai Eng-Meng performs both the roles of chairman and chief executive. Mr. Tsai is the founder of our Group and has over 40 years of experience in the food and beverages industry. Given the current stage of development of our Group, the Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. We shall nevertheless review the structure from time to time in light of the prevailing circumstances.

Code provision A.4.1

Code provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. Our Company deviates from this provision because the non-executive Directors and independent non-executive Directors of our Company do not currently have specific terms of appointment. However, the articles of association of our Company provide that all the Directors are subject to retirement by rotation at least once every three years and at each annual general meeting, one-third of the Directors for the time being or, if the number is not a multiple of three, then, the number nearest to but not less than one-third, shall retire from office by rotation and offer themselves for re-election. As such, the Board considers that sufficient measures have been put in place to ensure our Company's corporate governance practice in this aspect provides sufficient protection for the interests of shareholders to a standard commensurate with that of the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding directors' securities transactions. Specific enquiries have been made with our Directors, and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2018.

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

During the six months ended 30 September 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities (including the Notes and the Bonds) of the Company, save for the redemption of the Notes in full at maturity in May 2018.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of the Company of US0.53 cent per ordinary share of the Company for the six months ended 30 September 2018. The interim dividend will be paid on or about 14 December 2018 to shareholders whose names appear on the register of members of the Company on 30 November 2018. Shareholders registered under the principal register of members in the Cayman Islands will automatically receive their cash dividends in United States dollars ("US$") while shareholders registered under the Hong Kong branch register of members will automatically receive their cash dividends in Hong Kong dollars ("HK$"). The HK$ equivalent of the interim dividend is HK$0.0415 per share which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.83 on 12 November 2018, being the business day preceding the date of dividend declaration.

In order to qualify for the entitlement to the above mentioned interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 27 November 2018. The register of members of the Company will be closed from 28 November 2018 to 30 November 2018 (both dates inclusive).

By order of the Board
Want Want China Holdings Limited
TSAI Eng-Meng
Chairman

Hong Kong, 13 November 2018

As at the date of this announcement, the executive Directors are Mr. TSAI Eng-Meng, Mr. TSAI Wang-Chia, Mr. HUANG Yung-Sung, Mr. CHU Chi-Wen, Mr. TSAI Ming-Hui and Ms. LAI Hong Yee; the non-executive Directors are Mr. LIAO Ching-Tsun, Mr. TSAI Shao-Chung, Mr. MAKI Haruo and Mr. CHENG Wen-Hsien; and the independent non-executive Directors are Mr. TOH David Ka Hock, Dr. PEI Kerwei, Mr. LEE Kwang-Chou, Mr. HSIEH Tien-Jen and Mr. LEE Kwok Ming.