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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 2022

FINANCIAL HIGHLIGHTS

	Unaudited		
	Six months ended 30 September		
	2022	2021	Change
Key income statement items <i>(in RMB'000, unless otherwise stated)</i>			%
Revenue	10,832,945	11,382,567	-4.8
Gross profit	4,638,428	5,323,416	-12.9
Operating profit	2,072,092	2,780,637	-25.5
Profit attributable to equity holders of the Company	1,596,054	2,090,045	-23.6
Basic and diluted earnings per share <i>(RMB cents)</i>	13.41	17.32	-22.6
Key financial ratios	%	%	% point
Gross profit margin	42.8	46.8	-4.0
Operating profit margin	19.1	24.4	-5.3
Margin of profit attributable to equity holders of the Company	14.7	18.4	-3.7

The board (the “Board”) of directors (the “Directors”) of Want Want China Holdings Limited (the “Company”) hereby announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (together, the “Group” or “Want Want”) for the six months ended 30 September 2022 (“first half of 2022FY”) together with the comparative figures for the six months ended 30 September 2021 (“first half of 2021FY”) as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	10,832,945	11,382,567
Cost of sales		(6,194,517)	(6,059,151)
Gross profit		4,638,428	5,323,416
Other gains – net	5	108,234	39,011
Other income		195,144	205,313
Distribution costs		(1,464,344)	(1,426,776)
Administrative expenses		(1,405,370)	(1,360,327)
Operating profit		2,072,092	2,780,637
Finance income		158,485	188,259
Finance costs		(75,625)	(85,005)
Finance income – net		82,860	103,254
Share of losses of associates		(4,708)	(1,583)
Profit before income tax		2,150,244	2,882,308
Income tax expense	6	(560,166)	(798,520)
Profit for the period		1,590,078	2,083,788
Profit attributable to:			
Equity holders of the Company		1,596,054	2,090,045
Non-controlling interests		(5,976)	(6,257)
		1,590,078	2,083,788
Earnings per share for profit attributable to equity holders of the Company		RMB Cents	RMB Cents
Basic earnings per share	7	13.41	17.32
Diluted earnings per share	7	13.41	17.32

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2022*

	Six months ended 30 September	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	<u>1,590,078</u>	<u>2,083,788</u>
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(408,188)	114,126
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Change in value of financial assets at fair value through other comprehensive income	<u>1,606</u>	<u>22,204</u>
Other comprehensive (loss)/income for the period	<u>(406,582)</u>	<u>136,330</u>
Total comprehensive income for the period	<u><u>1,183,496</u></u>	<u><u>2,220,118</u></u>
Total comprehensive income for the period attributable to:		
Equity holders of the Company	1,201,345	2,222,906
Non-controlling interests	<u>(17,849)</u>	<u>(2,788)</u>
	<u><u>1,183,496</u></u>	<u><u>2,220,118</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2022

	Notes	30 September 2022 <i>RMB'000</i> (Unaudited)	31 March 2022 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		5,803,367	5,973,476
Investment properties		34,072	34,585
Intangible assets		9,560	10,021
Investments in associates		111,366	11,074
Deferred income tax assets		394,215	392,786
Financial assets at fair value through other comprehensive income		139,335	104,023
Right-of-use assets		989,077	1,006,684
Long-term bank deposits		4,597,000	5,737,000
Total non-current assets		<u>12,077,992</u>	<u>13,269,649</u>
Current assets			
Inventories		3,326,119	3,226,184
Trade receivables	9	950,512	1,004,538
Prepayments, other receivables and other assets		760,052	1,091,791
Cash and bank balances		8,661,633	11,265,819
Total current assets		<u>13,698,316</u>	<u>16,588,332</u>
Total assets		<u><u>25,776,308</u></u>	<u><u>29,857,981</u></u>

	Notes	30 September 2022 <i>RMB'000</i> (Unaudited)	31 March 2022 <i>RMB'000</i> (Audited)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		1,798,203	1,798,203
Reserves		<u>11,892,500</u>	<u>14,835,392</u>
Subtotal		13,690,703	16,633,595
Non-controlling interests		<u>57,106</u>	<u>75,183</u>
Total equity		<u>13,747,809</u>	<u>16,708,778</u>
LIABILITIES			
Non-current liabilities			
Borrowings		3,224,309	3,546,364
Lease liabilities		71,603	51,795
Deferred income tax liabilities		44,173	166,617
Other non-current liabilities		<u>69,222</u>	<u>135,899</u>
Total non-current liabilities		<u>3,409,307</u>	<u>3,900,675</u>
Current liabilities			
Trade payables	10	1,194,491	1,106,946
Accruals and other payables		3,055,356	3,104,596
Contract liabilities		973,300	1,255,592
Current income tax liabilities		405,033	315,765
Borrowings		2,897,374	3,355,850
Lease liabilities		<u>93,638</u>	<u>109,779</u>
Total current liabilities		<u>8,619,192</u>	<u>9,248,528</u>
Total liabilities		<u>12,028,499</u>	<u>13,149,203</u>
Total equity and liabilities		<u><u>25,776,308</u></u>	<u><u>29,857,981</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2022

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 the North America, East Asia, Southeast 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 interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This interim condensed consolidated financial information was approved by the Board of Directors for issue on 29 November 2022.

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

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”). 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 31 March 2022.

3. 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 31 March 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The revised standards have had no significant financial effect on the interim condensed consolidated financial information.

4. 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, which is based on profit before income tax without allocation of unallocated costs, finance income – net and share of losses of associates. Management assesses the performance of rice crackers, dairy products and beverages, snack foods and other products.

The Group's operations are mainly organised 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 segment information for the six months ended 30 September 2022 is as follows:

	Six months ended 30 September 2022 (unaudited)				
	Rice crackers RMB'000	Dairy products and beverages RMB'000	Snack foods RMB'000	Other products RMB'000	Group RMB'000
Segment results					
Revenue	<u>1,972,043</u>	<u>5,692,993</u>	<u>3,079,073</u>	<u>88,836</u>	<u>10,832,945</u>
Timing of revenue recognition					
At a point in time	<u>1,972,043</u>	<u>5,692,993</u>	<u>3,079,073</u>	<u>88,836</u>	<u>10,832,945</u>
Segment profit	207,490	1,656,504	581,159	15,290	2,460,443
Unallocated costs					(388,351)
Finance income – net					82,860
Share of losses of associates					(4,708)
Profit before income tax					2,150,244
Income tax expense					(560,166)
Profit for the period					<u>1,590,078</u>
Other segment items included in the income statement					
Depreciation of property, plant and equipment	109,414	163,851	108,419	722	382,406
Depreciation of right-of-use assets	13,454	37,727	18,924	6,814	76,919
Depreciation of investment properties	–	–	–	590	590
Unallocated depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets					<u>8,098</u>
Capital expenditure					
Capital expenditure by segments	97,786	68,250	50,428	29,816	246,280
Unallocated capital expenditure					<u>28,957</u>
Total capital expenditure					<u>275,237</u>

The segment assets and liabilities as at 30 September 2022 are as follows:

	30 September 2022 (unaudited)				
	Rice crackers <i>RMB'000</i>	Dairy products and beverages <i>RMB'000</i>	Snack foods <i>RMB'000</i>	Other products <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets and liabilities					
Segment assets	2,155,668	6,631,712	3,373,444	136,497	12,297,321
Unallocated assets					108,988
Cash and bank balances					8,661,633
Long-term bank deposits					4,597,000
Investments in associates					111,366
Total assets					<u>25,776,308</u>
Segment liabilities	1,051,152	3,044,553	1,641,053	48,320	5,785,078
Unallocated liabilities					121,738
Borrowings					6,121,683
Total liabilities					<u>12,028,499</u>

The segment information for the six months ended 30 September 2021 is as follows:

	Six months ended 30 September 2021 (unaudited)				
	Rice crackers <i>RMB'000</i>	Dairy products and beverages <i>RMB'000</i>	Snack foods <i>RMB'000</i>	Other products <i>RMB'000</i>	Group <i>RMB'000</i>
Segment results					
Revenue	<u>1,876,241</u>	<u>6,561,800</u>	<u>2,873,903</u>	<u>70,623</u>	<u>11,382,567</u>
Timing of revenue recognition					
At a point in time	<u>1,876,241</u>	<u>6,561,800</u>	<u>2,873,903</u>	<u>70,623</u>	<u>11,382,567</u>
Segment profit	254,820	2,282,352	578,586	13,965	3,129,723
Unallocated costs					(349,086)
Finance income – net					103,254
Share of losses of associates					<u>(1,583)</u>
Profit before income tax					2,882,308
Income tax expense					<u>(798,520)</u>
Profit for the period					<u>2,083,788</u>
Other segment items included in the income statement					
Depreciation of property, plant and equipment	113,624	171,990	113,257	304	399,175
Depreciation of right-of-use assets	14,118	38,419	18,449	4,115	75,101
Depreciation of investment properties	–	–	–	586	586
Unallocated depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets					<u>7,655</u>
Capital expenditure					
Capital expenditure by segments	51,363	83,083	34,842	7,004	176,292
Unallocated capital expenditure					<u>36,788</u>
Total capital expenditure					<u>213,080</u>

The segment assets and liabilities as at 31 March 2022 are as follows:

	31 March 2022 (audited)				
	Rice Crackers <i>RMB'000</i>	Dairy products and beverages <i>RMB'000</i>	Snack foods <i>RMB'000</i>	Other products <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets and liabilities					
Segment assets	2,492,742	7,108,069	3,013,382	119,725	12,733,918
Unallocated assets					110,170
Cash and bank balances					11,265,819
Long-term bank deposits					5,737,000
Investments in associates					11,074
Total assets					29,857,981
Segment liabilities	1,448,942	3,326,008	1,306,918	30,487	6,112,355
Unallocated liabilities					134,634
Borrowings					6,902,214
Total liabilities					13,149,203

5. OTHER GAINS – NET

	Six months ended 30 September	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Net foreign exchange gains/(losses)	33,082	(2,820)
Donation expenses	(16,184)	(25,419)
Gains/(losses) on disposal of property, plant and equipment, net	11,473	(6,157)
Income from long-term bank deposits	61,382	64,290
Others	18,481	9,117
Total	108,234	39,011

6. INCOME TAX EXPENSE

	<u>Six months ended 30 September</u>	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Chinese mainland	484,511	672,273
– Hong Kong Special Administrative Region and elsewhere	10,325	11,229
	<u>494,836</u>	<u>683,502</u>
Subtotal	494,836	683,502
Deferred income tax	65,330	115,018
	<u>560,166</u>	<u>798,520</u>
Total	<u>560,166</u>	<u>798,520</u>

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

7. 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.

	<u>Six months ended 30 September</u>	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	1,596,054	2,090,045
Weighted average number of ordinary shares in issue (thousands)	11,899,528	12,070,244
Basic earnings per share	<u>RMB13.41 Cents</u>	<u>RMB17.32 Cents</u>

(b) Diluted

Diluted earnings per share are the same as the basic earnings per share since the Company does not have potentially dilutive ordinary shares in issue.

8. DIVIDENDS

Final and special dividends of RMB4,144,237,000 for the year ended 31 March 2022 was paid in September 2022 (year ended 31 March 2021: RMB1,131,125,000).

An interim dividend for the six months ended 30 September 2022 of US1.14 cents per share (six months ended 30 September 2021: US0.83 cent) was declared by the Board of Directors on 29 November 2022. It is payable on 5 January 2023 to shareholders who are on the register of members of the Company on 16 December 2022. This interim dividend, amounting to RMB919,506,000 (six months ended 30 September 2021: RMB637,189,000) based on the issued shares as at 29 November 2022, has not been recognised as a liability in this interim condensed consolidated financial information. It will be recognised in shareholders' equity in the financial year ending 31 March 2023.

9. TRADE RECEIVABLES

	30 September 2022 RMB'000 (Unaudited)	31 March 2022 RMB'000 (Audited)
Trade receivables		
from third parties	967,954	1,017,726
from related parties	21,750	15,113
Subtotal	989,704	1,032,839
Less: provision for impairment	(39,192)	(28,301)
Trade receivables, net	950,512	1,004,538

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 (year ended 31 March 2022: 60 to 90 days).

As at 30 September 2022 and 31 March 2022, the ageing analysis of trade receivables based on invoice date is as follows:

	30 September 2022 RMB'000 (Unaudited)	31 March 2022 RMB'000 (Audited)
Within 60 days	649,458	427,418
61-90 days	174,387	240,569
91-180 days	132,005	336,799
181-365 days	19,770	18,461
Over 365 days	14,084	9,592
Total	989,704	1,032,839

10. TRADE PAYABLES

As at 30 September 2022 and 31 March 2022, the ageing analysis of the trade payables, based on invoice date, is as follows:

	30 September 2022 RMB'000 (Unaudited)	31 March 2022 RMB'000 (Audited)
Within 60 days	1,067,415	964,391
61 to 180 days	100,121	115,625
181 to 365 days	9,375	6,077
Over 365 days	17,580	20,853
Total	<u>1,194,491</u>	<u>1,106,946</u>

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

Since April 2022, the normal operation of the supply chain in the Chinese mainland has been affected by the unexpected unfavourable factors such as the frequent and widespread outbreak of the pandemic, which suppressed consumption in retail stores and consumer-facing channels such as the restaurant and catering channels to a certain extent. Nevertheless, the Group made timely adjustments to its marketing and supply chain strategies, increased investment in marketing scenarios in stores and product displays at the end points-of-sales and improved its supply chain contingency mechanism to ensure smooth production and supply chain operations.

In the first half of 2022FY, revenue from products which accounted for 44% of the Group's total revenue recorded a year-on-year increase, among which popsicles and QQ Gummies both achieved double-digit revenue growth while "Xuexian small crisps" (雪仙小小酥) and jellies achieved mid-single-digit revenue growth. Against the backdrop of rigorous pandemic control measures, the Group actively developed the new e-commerce models, such as content e-commerce, social e-commerce, fresh food e-commerce and community group buying, which contributed revenue of over RMB100 million in the first half of 2022FY. The recovery of the international supply chain drove the growth in overseas revenue. However, revenue and gross margin of the dairy products and beverages segment was under pressure in the first half of 2022FY because of the greater impact of the pandemic and weak consumption, coupled with the raw material cost pressure. The Group will continue to monitor the possible impact of the pandemic on sales and make timely adjustments accordingly.

In summary, the Group's total revenue for the first half of 2022FY declined by 4.8% year-on-year to RMB10,832.9 million. Gross profit margin decreased by 4.0 percentage points year-on-year to 42.8%, but was only 0.2 percentage point lower than that for the second half of 2021FY, indicating that cost pressures were easing slightly. Profit attributable to equity holders of the Company decreased by 23.6% year-on-year to RMB1,596.1 million in the first half of 2022FY.

BUSINESS OVERVIEW

During the first half of 2022FY, the Group continued to pursue its operational strategy of diversification and consolidated its growth momentum on a medium-to-long term basis. Specific strategies implemented are as follows:

(I) INTENSIVE DEVELOPMENT AND DIVERSIFICATION OF CHANNELS

1. Intensive development of traditional distribution channels

Revenue derived from traditional channels declined by mid-single-digit year-on-year during the first half of 2022FY, mainly due to weak sell-through momentum of dairy products and beverages in some regions. However, the snack foods segment achieved high-single-digit growth due to the expansion of new products, enrichment of product display for various scenarios and the proper strategy of enhancing and increasing the varieties of product combinations for sales. Through digital management, the management has further developed the end points-of-sales, improved the shelf rate of its core products and strengthened its differentiated product promotion to maintain a balanced development of products. During the second half of 2022FY, we will start the Chinese New Year operations in advance to promote the economy pack of various product categories in line with the festive sharing atmosphere of the Chinese New Year, and at the same time offer more Chinese New Year promotional items to drive sales growth in the peak season.

2. Cultivation of modern channels

Revenue derived from the modern channels in the first half of 2022FY basically remained at similar level as that of the corresponding period in the previous year. Benefited from the launch of new products suitable for sale in the channels, expansion of product categories available for sales on store shelves and promoting the sales momentum of products, the percentage of revenue contribution from the newly launched products to the modern channels revenue has reached double digits. By launching flexible promotional activities in the convenience store channel, revenue from convenience store channel achieved growth. The attractive promotional activities to capture the important festive seasons helped promote sales and facilitate steady development.

3. Diversification of emerging channels

Emerging channels were adversely affected by the pandemic during the first half of 2022FY, yet the newly developed content e-commerce and social e-commerce have become new revenue growth drivers. Rice crackers and snack foods segments maintained rapid revenue growth in the emerging channels, thanks to the promotion of new product combinations and the expansion of new platforms.

As sales in themed stores of the Group were affected by restriction of customer traffic due to escalation in pandemic control measures in some regions, the Group made timely adjustments to its marketing approach by launching various community group buying activities to cater for the needs of consumers in the affected areas. The number of effectively operating vending machines in the points-of-sales was also affected by varying degrees. With the pandemic subsiding, operations have gradually resumed and the Group plans to further expand the number of self-operated vending machines. The Group has actively developed new e-commerce models, such as content e-commerce, social e-commerce and fresh food e-commerce, to enhance its brand exposure, strengthen the connection with consumers and promote new products with potentials, thereby contributing to the sustainable growth of emerging channels.

4. Continuous expansion of overseas markets

With the continued improvement of the overseas supply chain, the Group's overseas sales achieved double-digit year-on-year revenue growth during the first half of 2022FY, with growth resumed in the Americas, Asia Pacific, Southeast Asia and Oceania. Our factory in Vietnam, which commenced production in the first half of the year, will leverage its cost and geographical advantages to become a major production base for the Group's overseas sales.

(II) BRAND DIVERSIFICATION TO PROMOTE NEW PRODUCTS

The Group takes full advantage of its production capacities, clearly identifies the user profile of its brands and launches functional and personalised new products to meet the needs of consumers of different age groups. New brands launched by the Group in recent years include:

“Baby Mum-Mum” – a special brand of complementary foods for babies and toddlers

“Mr. Bond” – a brand of novel beverages for youngsters

“Fix x Body” – a special brand for healthiness and nutrition

“Queen Alice” – a high-quality brand for female consumers

“Mr. Hot” – a customised brand for spicy lovers

“Got Rice” – a novel brand for rice snacks

“Prime of Love” – a brand of healthy nutritious products for middle-aged and elderly people

The Group has constantly pursued diversified product development by taking product nutrition and characteristics into account, and has been developing and launching a number of tasty and healthy products, such as the “Brown-Sugar Bobo Coated Crackers (黑糖波波雪餅)”, which are rich in dietary fibres; the “Sandwich Rice Cracker Rolls (夾心米果卷)”, which are fine grinded and made from carefully selected coarse grain corn; and the “Thai Sweet and Spicy Thick Snow Cakes (泰式甜辣味厚雪燒)”, which are newly launched in the 2022FY to fill the gap in the sweet and spicy taste of rice crackers. The new packaging – PET bottled Hot-Kid Milk – is more suitable for consumers to carry around for drinking. New products launched in the past five years accounted for more than 10% of the Group’s total revenue in the first half of 2022FY, and the Group will continue to introduce high-quality new products to meet the differentiated needs of consumers.

REVENUE

For the first half of 2022FY, total revenue of the Group declined by 4.8% to RMB10,832.9 million as compared with that for the first half of 2021FY. Among which, the rice crackers segment benefited from the resumption of sales growth in overseas markets, driving a 5.1% year-on-year increase in segment revenue. The snack foods segment grew by 7.1% year-on-year and attained a double-digit year-on-year growth rate in the second quarter of the financial year, with candies sub-category and jellies both reaching new record high in revenue in the first half of the financial years. Revenue from the dairy products and beverages segment decreased by 13.2% year-on-year due to the impact of the pandemic, weak demand and a high base in the same period last year.

Rice crackers

Revenue from the rice crackers segment for the first half of 2022FY was RMB1,972.0 million, up 5.1% year-on-year. In particular, revenue from the core-brand rice crackers grew by 4.4% year-on-year. With the recovery of international supply chain, the overseas business, which accounted for approximately 20% of rice crackers segment revenue, achieved double-digit year-on-year revenue growth. The emerging channels also achieved double-digit growth, with the smart vending machine channel further expanding its consumption scenarios and consumer base by increasing the availability of machines in parks, playgrounds and other venues.

The Chinese New Year peak sales season for rice crackers will be arriving in the second half of 2022FY. More products will be sold in gift packs with expanded sales channels, such as the launch of new products “Want Want Snack Shop” (旺旺零食鋪) and “Want Want Gift Box” (旺旺大禮盒), which will be sold exclusively online. The packaging with a modern look and feel combined with the traditional red colour of the Chinese New Year is perfectly matched to convey warm wishes for the New Year.

Dairy products and beverages

Revenue from the dairy products and beverages segment for the first half of 2022FY was RMB5,693.0 million, down 13.2% year-on-year. In particular, revenue of Hot-Kid Milk decreased by 13.9% year-on-year, and revenue of beverages and others was down by 2.1% year-on-year, which were mainly attributed to the supply chain disruption and slowdown in sell-through momentum as a result of pandemic lockdown in numerous areas. In addition, some of the direct-to-consumer channels were also heavily affected by the pandemic. The Group will continue to monitor inventory levels in the channels and increase points-of-sales display and interaction with consumers.

The Group continues to focus on channel building for the emerging channels and exploring new retail operation models, such as content e-commerce and community group buying, to meet the needs of differentiated consumption scenarios, and initial results in sales were seen in the dairy products and beverages segment in the first half of 2022FY.

To enrich the product offerings in the dairy products and beverages segment, the Group has introduced products with new packaging and new flavours: “Hot-Kid Milk” in “Little Red Bottle (旺仔牛奶小紅瓶)”, a unique PET bottled packaging to address consumers’ demand for products that are convenient to carry around for drinking anytime, anywhere, are suitable for sale in consumption scenarios such as convenience stores and supermarkets; while “Nut Milk (堅果牛奶)”, with added nutrition, and the bottled “Daily Milk (每日牛奶)”, with raw cow’s milk as ingredient, provides consumers with more choices of delicious and healthy products.

Snack foods

In the first half of 2022FY, revenue from snack foods segment amounted to RMB3,079.1 million, up 7.1% year-on-year, and attained double-digit growth in the second quarter of the financial year, of which revenue from candies and jellies breaking new first-half revenue records. Both popsicles and beans, jellies and other sub-categories grew by double digits year-on-year.

Revenue from the popsicles sub-category grew by double-digit as compared with that of the same period in the previous year. The hot weather this summer helped “Dongchi (凍癡)” products in novel packaging achieve a revenue of about RMB200 million in the first half of 2022FY and reach a new sales peak. The interactive “13 flavours of Dongchi, which one do you pick” campaign boosted end-consumer enthusiasm. The popsicles sub-category will be further expanded to provide consumers with a wide range of products and flavours to choose from during the hot summer season.

Revenue from the candies sub-category grew by mid-single-digit year-on-year and recorded double-digit growth in the second quarter of the financial year, reaching a new half-year high. In recent years, the Group has continued to optimise and upgrade its products, with new products such as “QQ juicy gummy (QQ果汁軟糖)” which contain 100% fruit juice and “Super QQ (超QQ)” being launched in emerging channels, contributing a mid-to-high single digit in revenue to the candies sub-category in the first half of 2022FY and became a new growth engine.

COST OF SALES

The cost of sales of the Group for the first half of 2022FY amounted to RMB6,194.5 million, representing an increase of 2.2% over the same period last year. This was mainly due to the double-digit increase in the costs of raw materials such as whole milk powder, palm oil and white sugar, as well as the increase in the cost of packaging materials, labour and energy as compared with those of the same period in the previous year.

In the first half of 2022FY, affected by factors such as the external macro environment and fluctuations in the exchange rate of RMB against the US dollar, the prices of certain raw materials and energy cost increased significantly, resulting in an increase in the procurement costs of raw materials and packaging materials for the Group. As at the end of October this year, the procurement costs of certain key raw materials and packaging materials showed a downward trend when compared with respective average procurement costs in the first half of 2022FY, thus the Group's cost pressure is expected to ease in the second half of 2022FY. The Group will continue to focus on and optimise the management of risk in association with cost, promote automation and improve production processes.

GROSS PROFIT

The gross profit margin of the Group for the first half of 2022FY decreased by 4.0 percentage points to 42.8% as compared with that of the same period in the previous year due to the increase in costs of certain key raw materials and packaging materials. Gross profit decreased by 12.9% year-on-year to RMB4,638.4 million as a result of the decline in revenue and gross profit margin. The Group will continue to optimise its production and supply chain management and will continue to review and optimise product profitability and launch new products with special features to enhance profitability.

Rice crackers

The gross profit margin of the rice crackers segment was 37.2% for the first half of 2022FY, representing a year-on-year decrease of 3.8 percentage points. This was mainly due to the increase in palm oil cost by over 40% as compared with that of the same period in the previous year, as well as the increase in energy costs. The Group will continue to introduce new products and improve the sales mix to optimise the product price ranges and improve the profitability of this segment.

Dairy products and beverages

The gross profit margin of the dairy products and beverages segment was 45.3% for the first half of 2022FY, representing a year-on-year decrease of 4.1 percentage points. This was mainly due to a 21% increase in the cost of whole milk powder and the impact of cost of packaging materials such as tinplate and paper. The Group will continue to diversify its dairy sources, enrich its product offerings and launch new products with differentiated features to consolidate the profitability of these products.

Snack foods

The gross profit margin of the snack foods segment was 42.2% for the first half of 2022FY, representing a year-on-year decrease of 2.4 percentage points. This was mainly due to a low-single digit to a double-digit increase in the cost of white sugar, skimmed milk powder and plastic pellets as compared with those of the same period last year. The Group intends to optimise production costs and improve production efficiency through packaging automation, etc., and to enrich the product mix and launch new personalised brand products with better profitability, in order to continue to enhance the profitability of this segment.

DISTRIBUTION COSTS

The distribution costs for the first half of 2022FY amounted to RMB1,464.3 million, representing an increase of RMB37.57 million or 2.6% as compared to that of the first half of 2021FY. Distribution costs as a percentage of revenue increased by 1.0 percentage point year-on-year to 13.5%. Among which, staff costs as a percentage of revenue increased by 0.4 percentage point to 5.1%, transportation expense to revenue ratio increased by 0.1 percentage point to 4.1%, and advertising and promotion expenses as a percentage of revenue increased by 0.3 percentage point to 2.7%, as compared with respective percentages in the first half of 2021FY.

ADMINISTRATIVE EXPENSES

Administrative expenses for the first half of 2022FY amounted to RMB1,405.4 million, representing an increase of RMB45.04 million or 3.3% as compared to that of the first half of 2021FY. The administrative expenses as a percentage of revenue were 13.0%, representing an increase of 1.0 percentage point as compared to that of the first half of 2021FY, which was mainly due to an increase in staff costs.

OPERATING PROFIT

The Group's operating profit for the first half of 2022FY amounted to RMB2,072.1 million, representing a year-on-year decrease of RMB708.5 million or 25.5%, which was due to a decrease in gross profit margin as a result of higher raw material and packaging material costs. The operating profit margin was 19.1%, representing a decrease of 5.3 percentage points as compared to that for the same period in 2021FY.

INCOME TAX EXPENSE

The Group's income tax expense for the first half of 2022FY amounted to RMB560.2 million, and the income tax rate was 26.1%, representing a decrease of 1.6 percentage points as compared to that for the first half of 2021FY.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company for the first half of 2022FY amounted to RMB1,596.1 million, representing a decrease of 23.6% as compared to that of the first half of 2021FY. The margin of profit attributable to equity holders decreased by 3.7 percentage points to 14.7% as compared to that of the same period of last year, as gross profit margin decreased by 4.0 percentage points year-on-year while operating expenses were still under control during the period.

LIQUIDITY AND CAPITAL RESOURCES

Cash and borrowings

As at 30 September 2022, the net cash of the Group (cash and bank deposits (including long-term bank deposits) net of total borrowings) amounted to RMB7,137.0 million (31 March 2022: RMB10,100.6 million), representing a decrease of RMB2,963.6 million as compared to that as at 31 March 2022. This was due mainly to net cash generated from operating activities of RMB1,908.1 million during the first half of 2022FY and payment of final and special dividends for 2021FY totaling RMB4,144.2 million.

We finance our operations and capital expenditure primarily by cash flows generated from internal operations as well as banking facilities provided by our principal banks. As at 30 September 2022, our cash and bank deposit balance (including long-term bank deposits of RMB4,597.0 million) amounted to RMB13,258.6 million (in which RMB accounted for approximately 96.0%, being approximately RMB12,726.0 million), representing a decrease of RMB3,744.2 million as compared to RMB17,002.8 million as at 31 March 2022. This was due mainly to the payment of dividends amounting to RMB4,144.2 million.

As at 30 September 2022, our total borrowings amounted to RMB6,121.7 million, representing a decrease of RMB780.5 million as compared with the balance as at 31 March 2022 (RMB6,902.2 million). Among which, short-term borrowings amounted to RMB2,897.4 million, representing a decrease of RMB458.5 million as compared with those as at 31 March 2022 (RMB3,355.9 million, including the Bonds (as defined below)); and long-term borrowings amounted to RMB3,224.3 million, representing a decrease of RMB322.1 million as compared with those as at 31 March 2022 (RMB3,546.4 million).

In April 2017, the Group issued 5-year term guaranteed bonds with a face value of US\$500 million and a coupon rate of 2.875% (the “Bonds”). The Bonds were subsequently repaid in full upon maturity in April 2022 by using our own funds. As at 30 September 2022, US dollar Bonds payable were nil (31 March 2022: US\$499.9 million).

The Group’s net gearing ratio (total borrowings net of cash and bank deposits (including long-term bank deposits) as a ratio of total equity (excluding non-controlling interests) at the end of the period) as at 30 September 2022 was -0.52 time (31 March 2022: -0.61 time). At present, the Group maintains sufficient cash and available banking facilities for its working capital requirements and for capitalising 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 flows

For the first half of 2022FY, a net cash inflow of RMB1,908.1 million was generated from the Group's operating activities, consisting mainly of profit before income tax of RMB2,150.2 million; net cash outflow for financing activities was RMB5,717.2 million, consisting mainly of net outflow of borrowings of RMB1,498.7 million and cash outflows for dividend payment of RMB4,144.2 million; net cash outflow for investing activities was RMB1,224.5 million, mainly due to an increase of RMB1,009.7 million in bank deposits with original maturity of more than three months as compared to that of 31 March 2022. Finally, the cash and cash equivalents as of 30 September 2022 were RMB6,302.0 million, plus bank time deposits with original maturity of more than three months of RMB6,956.6 million, adding up to a total of RMB13,258.6 million.

Capital expenditure

For the first half of 2022FY, our capital expenditure amounted to RMB275.2 million (for the year ended 31 March 2022: RMB460.5 million). We invested approximately RMB97.79 million, RMB68.25 million and RMB50.43 million on the expansion of production plants and equipment for the three key product segments (rice crackers, dairy products and beverages, and snack foods segments), mainly for the construction of new plant and equipment in Vietnam and upgrade of some of the old plants and production facilities domestically to prepare for the Group's future growth. In addition, we also made investment in information facilities and packaging facilities.

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 2022 and for the year ended 31 March 2022:

	For the six months ended 30 September 2022	For the year ended 31 March 2022
Inventory turnover days	<u>95</u>	<u>79</u>

As at 30 September 2022, inventory amounted to RMB3,326.1 million, representing an increase of RMB99.94 million as compared with RMB3,226.2 million as at 31 March 2022. Inventory turnover days increased by 16 days as compared to the beginning of the current financial year, mainly because we appropriately increased the inventory level of materials held for production use in response to uncertainties caused by the pandemic, resulting in an increase of 12 days in raw material and packaging materials turnover days in the first half of 2022FY as compared to the beginning of the current financial year.

Trade receivables

Our trade receivables represent the receivables from our credit sales to customers. The terms of credit granted to our customers are usually 60 to 90 days. Our sales to most of the customers in 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 of the Group.

The following table sets forth the number of our trade receivables turnover days for the six months ended 30 September 2022 and for the year ended 31 March 2022:

	For the six months ended 30 September 2022	For the year ended 31 March 2022
Trade receivables turnover days	<u>16</u>	<u>15</u>

Trade payables

Our trade payables mainly relate to the purchase of raw materials on credit 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 2022 and for the year ended 31 March 2022:

	For the six months ended 30 September 2022	For the year ended 31 March 2022
Trade payables turnover days	<u>33</u>	<u>28</u>

Pledge of assets

As at 30 September 2022, none of the assets of the Group was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

For the first half of 2022FY, our average number of employees was approximately 41,040, representing a decrease of 225 employees as compared with the average number of employees for the year ended 31 March 2022. Our total remuneration expenses for the first half of 2022FY amounted to RMB2,239.4 million. 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 that of the individual.

Our Group always concerns about and has invested a significant amount of resources in continuing education and training programs for our employees. Training programs, both external and internal, are also provided by our Group to relevant staff as and when required to constantly improve their professional knowledge and skills.

FOREIGN EXCHANGE RISKS

The presentation currency of the Group is RMB, but the Company's functional currency is still USD. More than 90% of our operating activities are conducted in the Chinese mainland. Our Chinese mainland subsidiaries' functional currency is RMB. The Group's foreign exchange risks arise mainly from procurement of raw materials and equipment from overseas, overseas dividend payments, and certain recognised assets or liabilities. During the first half of 2022FY, the Group used a certain amount of hedging products to address possible foreign exchange risk.

Procurement of some of the raw materials and equipment from overseas and USD denominated borrowings of the Group are mainly recognised in the financial statements of the subsidiaries of the Group whose functional currency is USD. As such, RMB does not have a significant impact on exchange gains and losses presented on the "Other gains – net" section of the consolidated income statement.

DIVIDENDS

The Board recommended the payment of an interim dividend of US1.14 cents per share for the first half of 2022FY, amounting to approximately US\$135.5 million (equivalent to approximately RMB919.5 million), representing an increase of 37% as compared to the interim dividend of US0.83 cent per share amounting to approximately US\$98.77 million for the first half of 2021FY, and representing approximately 58% of the profit attributable to equity holders of the Company for the first half of 2022FY.

In September 2022, the Company paid a final dividend and a special dividend for the 2021FY, of which, final dividend was US2.10 cents per share for the 2021FY, amounting to approximately US\$249.9 million (equivalent to approximately RMB1,726.8 million); the special dividend was US2.94 cents per share for the 2021FY, amounting to approximately US\$349.8 million (equivalent to approximately RMB2,417.4 million).

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee comprises five independent non-executive Directors, namely Mr. Lee Kwok Ming (chairman), Dr. Pei Kerwei, Mr. Hsieh Tien-Jen, Mr. Pan Chih-Chiang and Mrs. Kong Ho Pui King, Stella.

The unaudited interim results of the Group for the six months ended 30 September 2022 have been reviewed by the audit and risk management committee and Ernst & Young, 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 2022, the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Part 2 of 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 provision C.2.1.

Code provision C.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.

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 2022.

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

Subsequent to the balance sheet date of 30 September 2022 and up to the date of this announcement, the Company repurchased a total of 15,800,000 shares on the HK Stock Exchange for an aggregate amount (excluding expenses) of HK\$81,166,070. Such repurchased shares were subsequently cancelled. The number of issued shares of the Company as at the date of this announcement is 11,883,728,135 shares. Particulars of the shares repurchased on the HK Stock Exchange after the balance sheet date are as follows:

Month of repurchases	Total number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate amount paid (excluding expenses)
		<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
October 2022	<u>15,800,000</u>	5.28	5.00	<u>81,166,070</u>

The Directors of the Company believe that the above repurchases are in the best interests of the Company and its shareholders and that such repurchases would lead to an enhancement of the earnings per share of the Company.

Saved for the share repurchases and the redemption of the Bonds as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities (including the Bonds) of the Company during the six months ended 30 September 2022 and up to the date of this announcement.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of the Company of US1.14 cents per ordinary share of the Company for the six months ended 30 September 2022. The interim dividend will be paid on or about 5 January 2023 to shareholders whose names appear on the register of members of the Company on 16 December 2022. 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\$0.0891 per share which is based on the exchange rate of US\$ against HK\$ at US\$1.00 to HK\$7.815 on 28 November 2022, 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 13 December 2022. The register of members of the Company will be closed from 14 December 2022 to 16 December 2022 (both dates inclusive).

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

Hong Kong, 29 November 2022

As at the date of this announcement, the executive Directors are Mr. TSAI Eng-Meng, Mr. TSAI Shao-Chung, 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. MAKI Haruo and Mr. CHENG Wen-Hsien; and the independent non-executive Directors are Dr. PEI Kerwei, Mr. HSIEH Tien-Jen, Mr. LEE Kwok Ming, Mr. PAN Chih-Chiang and Mrs. KONG HO Pui King, Stella.