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 JUNE 2016

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2016	2015	Change
Key income statement items	***RMB'000***	*RMB'000*	*%*
Revenue	**9,709,476**	11,137,915	-12.8
Gross profit	**4,640,456**	4,728,961	-1.9
Operating profit	**2,375,732**	2,273,497	+4.5
EBITDA [1]	**2,831,773**	2,695,484	+5.1
Profit attributable to equity holders of the Company	**1,756,442**	1,749,939	+0.4
Key financial ratios	**%**	%	% point
Gross profit margin	**47.8**	42.5	+5.3
Operating profit margin	**24.5**	20.4	+4.1
EBITDA margin	**29.2**	24.2	+5.0
Margin of profit attributable to equity holders of the Company	**18.1**	15.7	+2.4

[1] EBITDA refers to earnings before interest, income tax, depreciation and amortisation. It is calculated by adding back depreciation and amortisation expenses to the operating profit for the period.

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 June 2016 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 June 2016

	Note	Unaudited Six months ended 30 June 2016 RMB'000	Unaudited Six months ended 30 June 2015 RMB'000 (Restated)
Revenue	4	**9,709,476**	11,137,915
Cost of sales		**(5,069,020)**	(6,408,954)
Gross profit		**4,640,456**	4,728,961
Other gains – net	5	**57,379**	523
Other income	6	**215,549**	311,902
Distribution costs		**(1,367,619)**	(1,610,701)
Administrative expenses		**(1,170,033)**	(1,157,188)
Operating profit		**2,375,732**	2,273,497
Finance income		**127,729**	189,634
Finance costs		**(67,838)**	(63,541)
Finance income – net		**59,891**	126,093
Share of losses of associates		**(2,951)**	(4,984)
Profit before income tax		**2,432,672**	2,394,606
Income tax expense	7	**(679,984)**	(647,027)
Profit for the period		**1,752,688**	1,747,579
Profit attributable to:			
– Equity holders of the Company		**1,756,442**	1,749,939
– Non-controlling interests		**(3,754)**	(2,360)
		1,752,688	1,747,579
Earnings per share for profit attributable to equity holders of the Company			
Basic earnings per share	8	**RMB13.77 cents**	RMB13.29 cents
Diluted earnings per share	8	**RMB13.77 cents**	RMB13.29 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit for the period	**1,752,688**	1,747,579
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Change in value of available-for-sale financial assets	**(15,312)**	2,608
Currency translation differences	**(141,250)**	22,981
Total items that may be reclassified subsequently to profit or loss	**(156,562)**	25,589
Total comprehensive income for the period	**1,596,126**	1,773,168
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**1,599,564**	1,775,525
– Non-controlling interests	**(3,438)**	(2,357)
	1,596,126	1,773,168

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	**Unaudited 30 June 2016** *RMB'000*	Audited 31 December 2015 *RMB'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**8,950,880**	9,189,056
Leasehold land and land use rights		**1,219,008**	1,233,850
Investment properties		**41,052**	41,108
Intangible assets		**5,037**	5,227
Investments in associates		**43,925**	45,855
Deferred income tax assets		**277,878**	277,993
Available-for-sale financial assets		**34,176**	49,488
Total non-current assets		**10,571,956**	10,842,577
Current assets			
Inventories		**2,152,601**	2,886,446
Trade receivables	10	**684,412**	887,632
Prepayments, deposits and other receivables		**599,220**	726,510
Financial assets at fair value through profit or loss		**1,170,940**	–
Cash and cash equivalents		**9,727,983**	9,372,597
Total current assets		**14,335,156**	13,873,185
Total assets		**24,907,112**	24,715,762

	Note	Unaudited 30 June 2016 *RMB'000*	Audited 31 December 2015 *RMB'000* (Restated)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**1,909,332**	1,925,328
Reserves		**10,240,064**	10,193,530
		12,149,396	12,118,858
Non-controlling interests		**45,984**	49,422
Total equity		**12,195,380**	12,168,280
LIABILITIES			
Non-current liabilities			
Borrowings		**5,628,741**	6,483,994
Deferred income tax liabilities		**183,284**	150,960
Other non-current liabilities		**99,093**	120,728
Total non-current liabilities		**5,911,118**	6,755,682
Current liabilities			
Trade payables	11	**787,487**	1,163,248
Accruals and other payables		**2,131,052**	2,588,258
Current income tax liabilities		**280,023**	367,515
Borrowings		**3,602,052**	1,672,779
Total current liabilities		**6,800,614**	5,791,800
Total liabilities		**12,711,732**	12,547,482
Total equity and liabilities		**24,907,112**	24,715,762

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

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 M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, 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 23 August 2016.

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 June 2016 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 year ended 31 December 2015, which have been prepared in accordance with HKFRSs.

3. Accounting policies

Except as described below, change in presentation currency and the adoption of new and amended standards effective for the financial year beginning on 1 January 2016, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Change in presentation currency

Having considered over 90% of the Group's revenue and business activities are conducted in mainland China and the functional currency of those subsidiaries in the mainland China are denominated in RMB, the Company has decided to adopt and use RMB as the presentation currency in presenting the financial performance and the financial position of the Group effective from 1 January 2016, so as to better reflect the underlying performance of the Group and for better alignment with the underlying business operations of the Group. As a result, the Group has changed its presentation currency from United States dollars ("US$") to RMB for the preparation of its financial statements.

The change in presentation currency have been applied retrospectively. The comparative figures in this condensed consolidated interim financial information were then translated from US$ to RMB using the applicable closing rates for assets and liabilities in the interim condensed consolidated balance sheet and applicable average rates that approximated to actual rates for items in the interim condensed consolidated statement of income. Share capital, share premium and reserves were translated at the exchange rate at the date when the respective amounts were determined (i.e. historical exchange rates).

(b) New and amended standards adopted by the Group

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning on 1 January 2016.

- HKFRS 14 'Regulatory Deferral Accounts' describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. It permits eligible first-time adopters of HKFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. It requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

- Amendment to HKFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'Business' (as defined in HKFRS 3, Business combinations). Specifically, the investor needs to:

  measure identifiable assets and liabilities at fair value;

  expense acquisition-related costs;

  recognise deferred tax; and

  recognise the residual as goodwill.

  All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

- Amendments to HKAS 16 and HKAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

  where the intangible asset is expressed as a measure of revenue; or

  where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendment to HKAS 27 'Equity Method in Separate Financial Statements' allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Annual improvements 2014 include changes from the 2012-2014 cycle of the annual improvements project, that affect 4 standards:

  HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' clarifies that when an asset (or disposal group) is reclassified from 'Held for Sale' to 'Held for Distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'Held for Sale' or 'Held for Distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'Held for Sale'.

  HKFRS 7 'Financial Instruments: Disclosures' includes two amendments:

  (i). Service contracts

  If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement. There is a consequential amendment to HKFRS 1 to give the same relief to first time adopters.

  (ii). Interim financial statements

  It clarifies the additional disclosure required by the amendments to HKFRS 7, 'Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.

  HKAS 19 'Employee Benefits' clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

  HKAS 34 'Interim Financial Reporting' clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

- Amendments to HKAS 1 'Disclosure Initiative' clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

  The key areas addressed by the changes are as follows:

  Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;

  Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented;

  Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users;

  Accounting policies: how to identify a significant accounting policy that should be disclosed;

  Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

  The adoption of the above new and amended standards starting from 1 January 2016 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended 30 June 2016.

  Other than the new and amended standards above, the remaining amendments are not relevant to the Group.

(c) **New standards and amendments of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group**

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2016, and have not been early adopted by the Group in preparing this condensed consolidated interim financial information. The Group is yet to assess the full impact of these new standards and amendments and intends to adopt them no later than the respective effective dates of these new standards and amendments. These new standards and amendments are set out below:

- Amendments to HKAS 12 'Income Taxes', effective for annual periods beginning on or after 1 January 2017.
- Amendments to HKAS 7 'Statement of Cash Flows', effective for annual periods beginning on or after 1 January 2017.
- HKFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.
- HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.
- HKFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019.
- Amendments to HKFRS 10 and HKAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

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. 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;

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

– Snack foods, including candies, popsicles and jellies, ball cakes and 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 June 2016 is as follows:

	Six months ended 30 June 2016					
	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	**2,071,569**	**4,676,327**	**2,941,921**	**19,659**	**–**	**9,709,476**
Segment profit/(loss)	**300,896**	**1,558,301**	**775,616**	**(3,781)**	**(255,300)**	**2,375,732**
Finance income-net						**59,891**
Share of losses of associates						**(2,951)**
Profit before income tax						**2,432,672**
Income tax expense						**(679,984)**
Profit for the period						**1,752,688**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**127,865**	**150,218**	**130,397**	**344**	**32,004**	**440,828**
Amortisation of leasehold land and land use rights	**2,924**	**7,136**	**3,181**	**690**	**100**	**14,031**
Depreciation of investment properties	**–**	**–**	**–**	**766**	**–**	**766**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**416**	**416**
Capital expenditure	**30,657**	**155,512**	**47,596**	**16,765**	**37,694**	**288,224**

The segment assets and liabilities as at 30 June 2016 are as follows:

	30 June 2016					
	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	**4,895,525**	**13,629,034**	**5,240,785**	**782,306**	**315,537**	**24,863,187**
Investments in associates						**43,925**
Total assets						**24,907,112**
Total liabilities	**978,966**	**1,547,661**	**781,612**	**78,242**	**9,325,251**	**12,711,732**

The segment information for the six months ended 30 June 2015 is as follows:

	Six months ended 30 June 2015 (Restated)					
	Rice crackers	Dairy products and beverages	Snack foods	Other products	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment results						
Revenue	2,055,509	5,735,054	3,308,082	39,270	–	11,137,915
Segment profit/(loss)	307,272	1,445,358	809,819	(41,069)	(247,883)	2,273,497
Finance income-net						126,093
Share of losses of associates						(4,984)
Profit before income tax						2,394,606
Income tax expense						(647,027)
Profit for the period						1,747,579
Other segment items included in the income statement						
Depreciation of property, plant and equipment	113,414	148,169	116,533	1,570	27,867	407,553
Amortisation of leasehold land and land use rights	2,043	7,140	3,192	610	94	13,079
Depreciation of investment properties	–	–	–	766	–	766
Amortisation of intangible assets	–	–	–	–	589	589
Capital expenditure	100,339	586,840	124,480	13,566	46,598	871,823

The segment assets and liabilities as at 31 December 2015 are as follows:

	31 December 2015 (Restated)					
	Rice crackers	Dairy products and beverages	Snack foods	Other products	Unallocated	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets and liabilities						
Segment assets	4,830,086	13,705,449	5,077,090	683,226	374,056	24,669,907
Investments in associates						45,855
Total assets						24,715,762
Total liabilities	1,293,155	1,875,188	1,047,360	92,437	8,239,342	12,547,482

5. Other gains – net

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Net foreign exchange gains/(losses)	**13,505**	(5,779)
Losses on disposal of property, plant and equipment, net	**(6,311)**	(3,273)
Donation expenses	**(2,799)**	(1,381)
Gains on the financial assets at fair value through profit or loss	**35,965**	72
Others	**17,019**	10,884
Total	**57,379**	523

6. Other income

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Government grants	**188,770**	280,501
Sale of scraps	**23,894**	28,636
Rental income from investment properties, net	**1,126**	956
Others	**1,759**	1,809
Total	**215,549**	311,902

7. Income tax expense

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
– Chinese mainland	**576,049**	625,758
– Taiwan region	**5,485**	2,402
– Hong Kong Special Administrative Region and overseas	**76**	51
	581,610	628,211
Deferred income tax	**98,374**	18,816
Total	**679,984**	647,027

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

8. 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 June	
	2016	2015 (Restated)
Profit attributable to equity holders of the Company (RMB'000)	**1,756,442**	1,749,939
Weighted average number of ordinary shares in issue (thousands)	**12,751,293**	13,167,253
Basic earnings per share	**RMB13.77 cents**	RMB13.29 cents

(b) Diluted

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

9. Dividends

Final dividend of RMB1,043,114,000 for the year ended 31 December 2015 was paid in May 2016 (2015: RMB973,712,000).

An interim dividend of US0.58 cent per share (2015: US0.61 cent) was declared by the Board of Directors on 23 August 2016. It is payable on or about 14 October 2016 to shareholders who are on the register of members of the Company on 23 September 2016. This interim dividend, amounting to RMB490,351,000 (2015: RMB489,723,000), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2016.

10. Trade receivables

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000* (Restated)
Trade receivables		
– from third parties	**723,672**	915,662
– from related parties	**12,876**	9,117
	736,548	924,779
Less: provision for impairment	**(52,136)**	(37,147)
Trade receivables, net	**684,412**	887,632

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 (2015: 60 to 90 days).

As at 30 June 2016 and 31 December 2015, the ageing analysis of trade receivables based on invoice date is as follows:

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000* (Restated)
Within 60 days	**466,959**	729,424
61-90 days	**83,755**	90,301
91-180 days	**136,606**	57,916
181-365 days	**17,818**	24,506
Over 365 days	**31,410**	22,632
Total	**736,548**	924,779

11. Trade payables

As at 30 June 2016 and 31 December 2015, the ageing analysis of the trade payables is as follows:

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000* (Restated)
Within 60 days	**692,718**	1,035,680
61 to 180 days	**69,769**	89,686
181 to 365 days	**10,226**	24,675
Over 365 days	**14,774**	13,207
Total	**787,487**	1,163,248

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

According to the latest data released by the National Bureau of Statistics of China on 15 July 2016, China's gross domestic product (GDP) grew at 6.7% year-on-year in the first half of 2016, representing a continued slowdown in growth over the same period of 2015 and the lowest growth rate since 1990. It shows that China's economy is facing continued and relatively large downward pressure. Due to the generally weak market, distributors and retailers maintained a conservative attitude and the inventory pressure of distributors continued to increase as compared with that of the same period last year. As such, the price competition caused by destocking has intensified. Meanwhile, China's average precipitation recorded since the start of the flood season in March 2016 is 20% more than that in other years, and Central and Eastern China have been hit by rainstorms and floods. The unfavorable weather conditions also brought challenges to the Group's sales of popsicles and beverages.

Despite the difficult external environment, the Group needs to make progress against the headwind. The Group continued to consolidate its operational advantages being its balanced development of the three key product segments to diversify the operational risks and its differentiated product positioning to avoid getting into vicious cycle of price competition. In addition, the Group actively modified its operation strategies to cope with the changing economic environment and consumer demand. In relation to products, to implement the differentiated marketing strategies for "Ordinary Star Products" and "Products with Growth Potential", the Group further subdivided its sales organisation to improve the market share and product coverage. Building on the steady operation of star products, the Group kept extending its product category and enriching its existing product portfolio to create new consumer demand. Meanwhile, the Group gradually introduced various healthy products, such as brown-rice/brown-sugar rice crackers and "Baby Mum-Mum" products, to address the increasing health consciousness of consumers. Following the recent changes in sales channels, the Group impelled on e-commerce and maternity channels to stabilise and expand the sales platforms and product categories. This has led to rapid growth in these two new channels. In addition, taking advantage of the diversified product categories of the Group to meet the sales demand throughout the whole year, including festivals, days with cold and hot weathers, bulk packaging products also achieved sales breakthroughs and recorded a double-digit growth in the first half of 2016. At the same time, the Group committed to rebuilding distributors' confidence under the challenging environment through simplifying the distributor policy, encouraging distributors to engage sales representatives and the strict management of the inventories maintained by distributors to ensure the product freshness and the healthy development of the distributors. In respect of sales and marketing, the Group emphasized on making products available in stores and the product display, meanwhile, it also increased the interaction with consumers through new media. Up to the first half of 2016, themed activities initiated online had reached approximately 19 million views and the number of members who participated in the interaction of the Hot-Kid club reached 6 million.

Over 90% of the Group's revenue and operating activities are conducted in the Chinese mainland. The Board also noticed that the recent fluctuation in the global financial market as well as the factors affecting the fluctuation in the exchange rate of US$ have no direct relevance to the business opera-tion activities of the Group. In view of the above, the Group has decided to adopt RMB as its presen-tation currency effective from 1 January 2016 so as to more appropriately reflect the underly-ing performance of the Group.

The Group's total revenue for the first half of 2016 was RMB9,709.5 million, representing a year-on-year decrease of 12.8%. Rice crackers and snack foods segments, in aggregate, accounted for 51.6% of the Group's revenue whilst that from the dairy products and beverages segment accounted for 48.2%. Benefiting from the fall in the cost of some of the key raw materials such as whole milk powder and the continuous improvement of the product structure, the Group's gross profit margin for the first half of 2016 surged 5.3 percentage points over the same period of 2015 to 47.8%.

Under the economic downward pressure, the Group constantly reviewed the efficiency in resources deployment to maximise the cost effectiveness of each expenditure item. The aggregate of the Group's distribution costs and administrative expenses for the first half of 2016 decreased by 8.3% as compared with that of the same period in 2015. Despite a decrease of RMB96.35 million or 30.9% in other income as compared with that of the first half of 2015 as a result of the reduction in government grants, the operating profit of the Group reached RMB2,375.7 million in the first half of 2016, representing an increase of 4.5% over the same period of 2015, due to improvement in the gross profit margin and effective cost control. The operating profit margin increased by 4.1 percentage points from 20.4% in the first half of 2015 to 24.5% in the first half of 2016. In addition, the income tax rate of the Group increased by 1.0 percentage point year-on-year to 28.0% in the first half of 2016.

As a result, the profit attributable to equity holders of the Company in the first half of 2016 reached RMB1,756.4 million, representing an increase of 0.4% as compared with that of the corresponding period in 2015. The margin of profit attributable to equity holders of the Company increased by 2.4 percentage points from 15.7% in the first half of 2015 to 18.1% in the first half of 2016.

Revenue

The Group's total revenue in the first half of 2016 was RMB9,709.5 million, representing a decrease of 12.8% as compared with that of the same period in 2015. For rice crackers, despite that the Chinese New Year sales period for gift pack sales in the first half of this year was 11 days shorter as compared with that in previous year, revenue of rice crackers increased by 0.8% year-on-year to RMB2,071.6 million owing to further market penetration and successful execution of policies in strengthening product display at end points of sales. The dairy products and beverages suffered from intensified competition due to the overall sluggish growth in the industry. In addition, emerging sub-category such as room-temperature yogurt digested certain consumers' demand for children's flavoured milk. As such, revenue of this segment decreased by 18.5% as compared with that of the first half of 2015. The revenue of snack foods was mainly affected by the significant impact of the floods and unfavourable weather on popsicles, as well as the increase of counterfeit products under the sluggish economy which negatively affected the sales of the Group's star snack product "Hot-Kid" ball cakes. The overall revenue of snack foods therefore decreased by 11.1% as compared with that of the same period in 2015.

Rice crackers

In the first half of 2016, the revenue of rice crackers was RMB2,071.6 million, representing an increase of 0.8% as compared with that of the corresponding period in 2015. Sales volume also showed a low single digit growth. This is affected by a shorter (11 days) period leading to 2016 Chinese New Year. The Group increased the input of resources in display and strengthened the product display of core-brand rice crackers at end points of sales by way of "Ge Ge Want" ("格格旺"), "Want Want Paradise" ("旺旺樂園") and other special display methods. Meanwhile, distributors were encouraged to actively develop cooperative sub-distributors and increase the number of special display at end points of sales. As a result of the above efforts, the revenue of core-brand rice crackers in the first half of 2016 increased by 1.2% from that in the same period of 2015. Revenue of the sub-brand rice crackers in the first half of 2016 increased by 31.0% from that in the same period of 2015 due to the change in product strategy. As the Chinese New Year sales period of gift packs (being the peak period for gift packs sales) was shortened by 11 days as compared with that in the same period of 2015, the revenue of gift packs decreased by 9.6% from that of the first half of 2015.

Nevertheless, in the second half of 2016, the longer period of sales in 2016 leading to the Chinese New Year in 2017 by 11 days as compared with that of the second half of 2015 is expected to have positive effects on the sale of rice crackers. As such, the Group will continue to deepen the effective marketing and promotion strategies adopted in the first half. In addition, it will expand the sales of brown-rice rice crackers, "Baby Mum-Mum" rice crackers and other healthy and functional products as planned to assure the confidence of management on the performance of rice crackers in the second half of the year.

Dairy products and beverages

Revenue of dairy products and beverages recorded RMB4,676.3 million in the first half of 2016, representing a decrease of 18.5% as compared with that of the first half of 2015. The revenue of "Hot-Kid milk" which accounted for approximately 90% in the revenue of dairy products and beverages, decreased by 17.4% from that of the same period in 2015.

Due to the weak market environment, the overall dairy industry growth in China was sluggish with heightened inventory pressure encountered by distributors, which intensified the marketing promotional competition for destocking in the industry. Certain consumers shifted their consumption to new emerging product sub-category such as room-temperature yogurt, which led to an apparent decline in the overall revenue of children's flavoured milk in China. Nevertheless, "Hot-Kid milk" did not lose its market share in children's flavoured milk sub-catgory. In addition, the relative weak performance of dairy products in the second quarter of this year, as compared with that of the same period in the previous year, stemmed from a relatively high sales base in the second quarter of 2015 which was driven by the promotional activities.

Despite these adverse factors, the Group maintained strict control over the inventory of distributors to ensure a favourable cycle of product sales. For the second half of 2016, the Group will continue to enchance product display, strengthen communication with consumers, further develop the product packages and flavors, supplement existing product layers and conduct product upgrade in a timely manner. The Group plans to introduce yogurt drink, yogurt for children and other new products in the third quarter by leveraging on its well-established "Hot-Kid milk" brand and channel advantages, with the aim to satisfying new demand of consumers as well as striving for a balance of diversified development of dairy products and beverages. The management remains confident in the future development of "Hot-Kid milk" and the new products.

Since it was launched 20 years ago, Hot-Kid milk's brand image of "Joy and Happiness" has been well received by consumers. The Group will continue to communicate with consumers in various ways and bring joy and happiness to consumers.

Snack foods

The revenue of snack foods reached RMB2,941.9 million in the first half of 2016, representing a decrease of 11.1% from that of the first half of 2015.

In the summer months, various provinces and cities in China were hit by floods and other adverse weather conditions, which significantly reduced the demand for popsicles. Against such background, the Group slowed down product shipment, ensured a reasonable level of inventory maintained by distributors and strengthened the sales strategies in regions not affected by adverse weather conditions, as a result of which the overall operation of popsicles remained steady.

In addition, under the continuous downward pressures on China's economic growth, more counterfeit "Want Want" star products at lower selling prices emerged in the market which affected the normal sale of our products. The "Hot-Kid" ball cakes with high gross profit margin were particularly affected. As a result, the Group cooperated actively with relevant law enforcement authorities to combat counterfeiting. With tightened punishment on relevant counterfeiting activities imposed by the government, the management expects the counterfeit issue will be effectively curbed and the sales performance should gradually improve in the second half of the year. In addition, new snack products such as baumkuche (年輪蛋糕) and buccal tablets will be launched in the second half of the year to expand the customer group by leveraging the "Want Want" brand image. Meanwhile, the management also plans to introduce new products with the "Yappy" brand in certain unexplored markets by maximising the Group's production capacity.

COST OF SALES

The cost of sales of the Group in the first half of 2016 amounted to RMB5,069.0 million, representing a decrease of 20.9% as compared with that of the corresponding period in 2015. The cost of sales of the Group included mainly cost of key raw materials (such as milk powder, sugar, rice, palm oil and packaging materials), direct labour and manufacturing costs such as utilities. In the first half of 2016, the cost of key raw materials of the Group such as whole milk powder decreased by over 30% over the same period of 2015. The cost of some other packaging materials and raw materials as well as natural gas also recorded decreases in different extents as compared with that of the corresponding period in 2015.

GROSS PROFIT

Although the Group increased its investment in product display and incentives to distributors in the first half of the year, benefiting from the significant decrease in the cost of key raw materials, the Group's gross profit margin jumped 5.3 percentage points from that of the same period in 2015 to 47.8% in the first half of 2016,which is a record high since the listing of the Group. However, the management does not consider the existing gross profit margin as the operational goal of the Group in the medium to long term. The Group would maintain an appropriate profitability level while continuing to invest in branding, product research and development and channels as necessary in order to sustain the core competitive edge of "Want Want" brand in the medium and long run. Owing to the decrease in revenue, gross profit decreased by 1.9% from that of the same period in 2015 to RMB4,640.5 million in the first half of 2016.

Rice Crackers

The gross profit margin of rice crackers increased by 1.2 percentage points to 41.7% in the first half of 2016 as compared with that of the first half of 2015, due mainly to the significant increase in gross profit margin of gift packs as a result of the persistent optimization of the product mix. In addition, the gross profit margin of its core-brand rice crackers, also increased by 1.7 percentage points, driven by adding new products with high gross profit margin, decrease in key raw material prices, and the results of the optimization of personnel deployment in production lines and automation. This year, the Group strengthened the operation of "Yappy" brand ("Yappy" rice crackers). Such branded products, aiming to compete with rival products, have a lower gross profit margin than the overall gross profit margin of rice crackers segment. This sub-brand rice crackers, at current stage, only accounts for a low single digit revenue contribution of rice crackers segment, thus the impact on the overall profitability of rice crackers is expected to be minimal.

Dairy products and beverages

The gross profit margin of dairy products and beverages was 50.4% in the first half of 2016, representing an increase of 8.6 percentage points as compared with that of the corresponding period in 2015, due mainly to a decrease of over 30% in the cost of milk powder year-on-year which led to an increase in the gross profit margin. To take advantage of the aforementioned increase in gross profit margin, the Group will increase its marketing and promotion efforts and resources.

Snack foods

The gross profit margin of snack foods was 48.2% in the first half of 2016, representing an increase of 2.2 percentage points as compared with that of the corresponding period in 2015, mainly due to the decrease in key raw material prices and optimization of the Groups' product structure.

Among the three key product segments, snack foods have the widest range of products, including many distinctive products with high market share such as fruity ices (碎冰冰), ball cakes and QQ gummy. Such multi-product operation is also favourable for diversifying the risks associated with operational uncertainties thereby maintaining stable profitability.

DISTRIBUTION COSTS

In a depressed economic environment, it is particularly important to ensure the deployment of resources in an effective and justifiable way. In the first half of 2016, through the optimization of sales organizational structure and function and after reviewing the supply chain efficiency, distribution costs decreased by 15.1% from RMB1,610.7 million in the first half of 2015 to RMB1,367.6 million. Distribution costs as a percentage of revenue decreased by 0.4 percentage point to 14.1% as compared with that of the same period in 2015. Owing to the substantial decrease in the cost of sales staff following the change in sales strategy since the fourth quarter of 2015, other distribution costs (consists mainly of labour cost) in the first half of the year decreased by 16.6% as compared with that in the same period of the previous year. In addition, transportation expenses as a percentage of revenue maintained stable at 3.8% compared to that of the first half of 2015. Although the Group increased the scale and scope of promotion in the first half of 2016, it managed to control the advertising and promotion expenses effectively. As a result, the advertising and promotion expenses decreased by 15.1% to RMB356.2 million and, as a percentage of revenue, decreased by 0.1 percentage point to 3.7%, as compared with that of the same period in 2015.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased slightly by 1.1% from RMB1,157.2 million in the first half of 2015 to RMB1,170.0 million in the first half of 2016. The increase was due primarily to the Group's strict monitoring of its spending to control its overall expenses despite the increase in labour cost in China year by year. Administrative expenses as a percentage of revenue increased by 1.7 percentage points to 12.1% as compared with that of the first half of 2015.

OPERATING PROFIT

Benefiting from the improvement in gross profit margin and stringent cost control, the Group's operating profit increased by 4.5% from RMB2,273.5 million in the first half of 2015 to RMB2,375.7 million in the first half of 2016; the operating profit margin was 24.5%, representing an increase of 4.1 percentage points as compared with that of the first half of 2015.

INCOME TAX EXPENSE

The Group's income tax expense increased from RMB647.0 million in the first half of 2015 to RMB680.0 million in the first half of 2016, while the income tax rate increased by 1.0 percentage point from 27.0% in the first half of 2015 to 28.0% in the first half of 2016.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As a result of the increase in operating profit, profit attributable to equity holders of the Company increased by 0.4% from RMB1,749.9 million in the first half of 2015 to RMB1,756.4 million in the first half of 2016. The margin of profit attributable to equity holders of the Company increased from 15.7% in the first half of 2015 to 18.1% in the first half of 2016, representing an increase of 2.4 percentage points.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

In a weak economic environment, the management considers that the price reduction strategy or tentative promotion may not be able to foster benign development of the market in the medium to long term. The Group will actively explore new strategies and modify existing strategies in different directions, including the diversification and differentiation of products and channels, improvement of the market penetration of products, strengthening of interaction with consumers, and enhancement of the purchasing desire of consumers.

- *Differentiated operation of brands and products*

  "Want Want" rice crackers and "Yappy" rice crackers have been operating in parallel in a differentiated manner for many years, aiming to satisfy the needs of different consumer groups and to implement targeted marketing strategies pertinently to ensure that its rice crackers could enjoy an absolute market share. During the second half of the year, to cope with the existing operation environment, the Group will focus on the expansion of product categories of "Yappy" brand, and select some of the existing snack star products for sales expansion, whilst segregating the customer and operation strategies of "Want Want" and "Yappy" brands, such that more consumers will be familiar with and eager to purchase the Group's snack foods. In addition, the newly established sales organization will be better positioned to operate and manage the series of existing brands such as "Yappy", "Aiyo", "Happy" and "Baby Mum-Mum" in addition to "Want Want".

  As for the operation of its dairy products and beverages, the Group will also focus on the study of those emerging sub-categories with rapid growth in the dairy industry in recent years and plans to roll out products such as milk beverages including yogurt drink and "O Bubble" milk drinks, and yogurts catered especially for children. By launching and further developing these new products, the Group expects that the product structure and price range of existing dairy products and beverages would be optimized so as to pave way for future healthy development.

- *Strengthen vertical channel penetration and display at the end points of sales*

  With respect to rice crackers, the Group has actively developed the cooperative sub-distributors and extended its product sales to outlets in "townships and villages" in recent years, which played a positive role in the sales of rice crackers amid the weak market sentiment. In future, the Group will continuously increase the number of such cooperative sub-distributors to cover areas not yet reached by the Group, increase the number of the end points of sales under control and enhance our product visibility and availability on retail shelves.

Meanwhile, the Group will encourage the distributors to increase the display area and period, and leverage on lively displays such as "Ge Ge Want" and "Want Want Paradise", so as to firmly grasp the interaction with consumers directly and boost consumers' desire to purchase.

- *Actively allocate resources to create the sales peak season of the Chinese New Year*

  In the second half of 2016, we will have an additional 11 days to benefit from the Chinese New Year sales season for extending the operation period of gift packs as compared with the second half of 2015. Moreover, the favourable impact of the Chinese New Year will be particularly obvious on the sales of rice crackers, as well as sales through modern channels. By capitalizing on such momentum, the Group will progressively plan the products suitable for consumption during the Chinese New Year, upgrade the packaging and specifications, and increase the display campaign, so that sales would reach a higher level during such period.

- *Achieve win-win situation between refined production management and energy-saving and environment protection*

  In order to provide food that is tasty and safe to consumers, the Group not only ensures zero tolerance of risk in production management, but also strives to improve the supply chain management in every aspect. Whilst ensuring the product quality, the Group also focuses on fulfilling its social responsibility of energy-saving and environment protection, optimizing the product manufacturing process and increasing investment in green energy year by year. The Group has launched a distributed photovoltaic plate project and a pilot program is currently underway in Shanghai to use renewable clean energy to replace the traditional energy, and continuous efforts would be made by the Group to achieve the goal of green production.

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 June 2016, our bank balances and deposits amounted to RMB9,728.0 million (31 December 2015: RMB9,372.6 million), representing an increase of RMB355.4 million. Over 97% of our cash was denominated in RMB.

As at 30 June 2016, our total borrowings amounted to RMB9,230.8 million (31 December 2015: RMB8,156.8 million), representing an increase of RMB1,074.0 million. Of which, RMB denominated borrowings amounted to RMB2,329.8 million (31 December 2015: RMB1,455.5 million), representing an increase of RMB874.3 million. US dollar denominated borrowings amounted to RMB 6,867.7 million equivalent (31 December 2015: RMB6,674.3 million equivalent), representing an increase of RMB 193.4 million equivalent. In terms of liquidity, the long-term borrowings, including the senior notes ("Notes") issued amounted to RMB5,628.7 million (31 December 2015: RMB6,484.0 million), representing a decrease of RMB855.3 million. The short-term borrowings amounted to RMB3,602.1 million (31 December 2015: RMB1,672.8 million), representing an increase of RMB1,929.3 million, primarily due to an increase in RMB denominated borrowings. The short-term borrowings comprised US dollar denominated borrowings of RMB1,239.0 million equivalent and RMB denominated borrowings of RMB2,329.8 million. RMB denominated borrowings accounted for approximately 25.2% of the total borrowings. We will increase the proportion of RMB denominated borrowings in future.

Taking advantage of the low interest rate environment to lock-in our medium and long term interest costs, the Group issued US$600.0 million 5-year term notes with a coupon rate of 1.875% per annum in May 2013. As at 30 June 2016, notes payable amounted to RMB3,970.9 million equivalent (31 December 2015: RMB3,886.6 million equivalent).

Our net gearing ratio (total borrowings net of cash and cash equivalents as a percentage of total equity (excluding non-controlling interests)) as at 30 June 2016 was -0.04 time (31 December 2015: -0.10 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

In the first half of 2016, net cash inflow from operating activities was RMB2,440.1 million; net cash outflow for financing activities was RMB669.2 million, which was used mainly for repurchasing shares of RMB525.9 million, paying dividends of RMB1,043.5 million and generated net borrowings inflow of RMB900.2 million. The net cash outflow for investment activities was RMB1,416.0 million.

Capital Expenditure

Our capital expenditure for 2016 is estimated to be approximately RMB700 million, which will be used mainly for completing the outstanding construction work of plant, purchasing machinery and equipment, improving information facilities, and increasing the investment in automated warehouse and storage equipment.

In the first half of 2016, our total capital expenditure amounted to RMB288.2 million (the first half of 2015: RMB871.8 million), representing a decrease of RMB583.6 million over the same period last year. We spent approximately RMB30.7 million, RMB155.5 million and RMB47.6 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 and 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 June 2016 and for the year ended 31 December 2015:

	Six months ended 30 June 2016	Year ended 31 December 2015
Inventory turnover days	**89**	105

The inventory balance as at 30 June 2016 amounted to RMB2,152.6 million (31 December 2015: RMB2,886.4 million). Following the significant decrease in the purchasing cost for imported milk powder which accounted for a significant percentage of the production costs, as well as the continuous optimization of supply chain management, the inventory balance decreased as compared with that as at the beginning of the period and the working capital efficiency improved.

Trade receivables

Our trade receivables represent the receivables from our customers pursuant to the credit granted by the Group. The terms of credit granted to our customers are usually 60 to 90 days. Sales to most of our customers in the PRC are conducted on a cash-on-delivery basis. We only grant credit to customers in our modern channel, who then 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 June 2016 and the year ended 31 December 2015:

	Six months ended 30 June 2016	Year ended 31 December 2015
Trade receivables turnover days	**15**	14

Trade payables

Our trade payables mainly relate 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 June 2016 and the year ended 31 December 2015:

	Six months ended 30 June 2016	Year ended 31 December 2015
Trade payables turnover days	**35**	36

PLEDGE OF ASSETS

As at 30 June 2016, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

Our average number of employees was approximately 46,900 in the first half of 2016. Our total remuneration expenses in the first half of 2016 amounted to RMB1,772.0 million, representing a decrease of 4.1% over the same period of 2015, primarily due to the reduced number of sales personnel as a result of the optimization and adjustment of the Group's sales organization. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance-based year-end bonuses having regard to the Group's and the individual's performance.

We invest significantly in the continuing education and training programs of our employees to constantly improve their knowledge and skills. External and internal training programs are also provided to relevant staff as and when required.

FOREIGN EXCHANGE RISK

Our Company's functional currency is US dollar. However, as more than 90% of our activities are conducted in the Chinese mainland, our Chinese mainland subsidiaries' functional currency is RMB. Foreign exchange risk arises from procurement of raw materials and equipment from overseas, dividend payment and certain recognized assets and liabilities.

As our overseas raw materials and equipment procurement and US dollar denominated borrowings are mainly recognised in the financial statements of the subsidiaries of the Group whose functional currency is US dollar, the assets and liabilities subject to foreign exchange risk are minimal and the relevant exposure after offsetting is not significant. In the first half of 2016, the US dollar denominated raw material costs accounted for 20%-30% of cost of sales. As such, the fluctuation in the exchange rate of RMB does not have a significant impact on exchange gains and losses presented on the consolidated income statement within "other gains – net". During the period, the Group has not hedged against its foreign exchange risk.

During the period, the Group changed its presentation currency, but the respective functional currency of the Company and its subsidiaries remains unchanged. Therefore, a change in presentation currency is not expected to give rise to any impact on foreign exchange gains and losses.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, namely Mr. Toh David Ka Hock (chairman), Dr. Pei Kerwei, Mr. Chien Wen-Guey and Mr. Lee Kwang-Chou.

The unaudited interim results of the Group for the six months ended 30 June 2016 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 June 2016, 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, A.4.1 and E.1.2. 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 about 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.

Code provision E.1.2

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Our Company deviates from this provision because Mr. Tsai Eng-Meng, an executive Director and the Chairman of the Board, were unable to attend the annual general meeting of the Company held on 6 May 2016 due to other important engagement at that time.

The Company will periodically review and improve its corporate governance practices with reference to the latest corporate governance developments.

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. Having made specific enquiries with our Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

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

During the six months ended 30 June 2016, the Company repurchased 121,983,000 shares on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange") for an aggregate amount (excluding expenses) of 622,557,428 Hong Kong dollars (HK$). Such repurchased shares were cancelled during the period.

Details of the above mentioned share repurchases are as follows:

Month of repurchases	Total number of shares repurchased	Highest price paid per share *(HK$)*	Lowest price paid per share *(HK$)*	Aggregate amount paid (excluding expenses) *(HK$)*
January 2016	93,233,000	5.60	4.81	469,033,057
February 2016	23,494,000	5.45	5.16	126,372,926
June 2016	5,256,000	5.20	5.08	27,151,445
	121,983,000			622,557,428

Subsequent to the balance sheet date of 30 June 2016 and up to the date of this announcement, the Company repurchased a total of 41,391,000 shares on the HK Stock Exchange for an aggregate amount (excluding expenses) of HK$210,223,119. Such repurchased shares were subsequently cancelled in July 2016. The number of issued shares of the Company as at the date of this announcement is 12,690,652,135 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 *(HK$)*	Lowest price paid per share *(HK$)*	Aggregate amount paid (excluding expenses) *(HK$)*
July 2016	41,391,000	5.15	5.02	210,223,119

The Directors of the Company believe that the above share 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.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities (including the Notes) of the Company during the six months ended 30 June 2016 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 US0.58 cent per ordinary share of the Company for the six months ended 30 June 2016. The interim dividend is expected to be paid on or about 14 October 2016 to shareholders whose names appear on the register of members of the Company on 23 September 2016. Shareholders registered under the principal register of members in the Cayman Islands will automatically receive their cash dividends in United States dollars while shareholders registered under the Hong Kong branch register of members will automatically receive their cash dividends in Hong Kong dollars. The Hong Kong dollar interim dividend will be calculated with reference to the exchange rate of United States dollars against Hong Kong dollars on 23 September 2016.

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 20 September 2016. The register of members of the Company will be closed from 21 September 2016 to 23 September 2016 (both dates inclusive).

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

Hong Kong, 23 August 2016

As at the date of this announcement, the executive Directors are Mr. TSAI Eng-Meng, Mr. LIAO Ching-Tsun, Mr. TSAI Wang-Chia, Mr. HUANG Yung-Sung, Mr. CHU Chi-Wen and Mr. CHAN Yu-Feng; the non-executive Directors are 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. CHIEN Wen-Guey, Mr. LEE Kwang-Chou and Dr. KAO Ruey-Bin.