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 SECOND INTERIM RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

FINANCIAL HIGHLIGHTS

	Unaudited For the nine months from 1 January to 30 September			Unaudited For the six months from 1 April to 30 September[1]		
	2017	2016	Change	**2017**	2016	Change
Key income statement items	***RMB'000***	*RMB'000*	*%*	***RMB'000***	*RMB'000*	*%*
Revenue	**13,585,430**	13,741,517	-1.1	**9,005,676**	8,468,480	+6.3
Gross profit	**5,985,413**	6,560,135	-8.8	**3,931,170**	4,054,986	-3.1
Operating profit	**2,754,947**	3,220,245	-14.4	**1,754,203**	1,934,594	-9.3
EBITDA[2]	**3,455,755**	3,909,054	-11.6	**2,219,070**	2,395,550	-7.4
Profit attributable to equity holders of the Company	**2,020,869**	2,343,480	-13.8	**1,274,100**	1,414,401	-9.9
Key financial ratios	**%**	%	% point	**%**	%	% point
Gross profit margin	**44.1**	47.7	-3.6	**43.7**	47.9	-4.2
Operating profit margin	**20.3**	23.4	-3.1	**19.5**	22.8	-3.3
EBITDA margin	**25.4**	28.4	-3.0	**24.6**	28.3	-3.7
Margin of profit attributable to equity holders of the Company	**14.9**	17.1	-2.2	**14.1**	16.7	-2.6

1 On 22 August 2017, the board of directors of the Company resolved to change the financial year end date of the Company from 31 December to 31 March. Accordingly, the first half of the new financial years would cover the period from 1 April to 30 September. To facilitate a better understanding of the Group's operating results in the first half-year period when applying the new financial year end date, the unaudited financial results for the six months from 1 April to 30 September in 2017 and 2016 were presented on a voluntary basis.

2 EBITDA refers to earnings before interest, income tax, depreciation and amortization. It is calculated by adding back depreciation and amortization 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 nine months ended 30 September 2017 together with the comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2017

	Note	Unaudited Nine months ended 30 September		Unaudited Six months ended 30 September*	
		2017	2016	**2017**	2016
		RMB'000	*RMB'000*	***RMB'000***	RMB'000
Revenue	4	**13,585,430**	13,741,517	**9,005,676**	8,468,480
Cost of sales		**(7,600,017)**	(7,181,382)	**(5,074,506)**	(4,413,494)
Gross profit		**5,985,413**	6,560,135	**3,931,170**	4,054,986
Other gains – net	5	**93,920**	60,973	**74,831**	36,755
Other income	6	**357,724**	290,752	**199,096**	190,238
Distribution costs		**(2,018,924)**	(1,926,544)	**(1,330,544)**	(1,167,652)
Administrative expenses		**(1,663,186)**	(1,765,071)	**(1,120,350)**	(1,179,733)
Operating profit		**2,754,947**	3,220,245	**1,754,203**	1,934,594
Finance income		**245,780**	198,557	**160,010**	125,427
Finance costs		**(203,845)**	(114,323)	**(147,210)**	(75,074)
Finance income – net		**41,935**	84,234	**12,800**	50,353
Share of losses of associates		**(3,864)**	(4,884)	**(3,251)**	(2,792)
Profit before income tax		**2,793,018**	3,299,595	**1,763,752**	1,982,155
Income tax expense	7	**(781,013)**	(960,913)	**(495,587)**	(570,771)
Profit for the period		**2,012,005**	2,338,682	**1,268,165**	1,411,384
Profit attributable to:					
– Equity holders of the Company		**2,020,869**	2,343,480	**1,274,100**	1,414,401
– Non-controlling interests		**(8,864)**	(4,798)	**(5,935)**	(3,017)
		2,012,005	2,338,682	**1,268,165**	1,411,384
Earnings per share for profit attributable to equity holders of the Company					
Basic earnings per share	8	**RMB16.15 cents**	RMB18.40 cents	**RMB10.18 cents**	RMB11.12 cents
Diluted earnings per share	8	**RMB16.15 cents**	RMB18.40 cents	**RMB10.18 cents**	RMB11.12 cents

* *Voluntarily presented*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2017

	Unaudited Nine months ended 30 September		Unaudited Six months ended 30 September*	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit for the period	**2,012,005**	2,338,682	**1,268,165**	1,411,384
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Change in value of available-for-sale financial assets	**9,903**	(15,029)	**4,959**	(7,826)
Currency translation differences	**200,570**	(169,602)	**168,305**	(189,817)
Total items that may be reclassified subsequently to profit or loss	**210,473**	(184,631)	**173,264**	(197,643)
Total comprehensive income for the period	**2,222,478**	2,154,051	**1,441,429**	1,213,741
Total comprehensive income for the period attributable to:				
– Equity holders of the Company	**2,229,832**	2,158,331	**1,447,398**	1,216,180
– Non-controlling interests	**(7,354)**	(4,280)	**(5,969)**	(2,439)
	2,222,478	2,154,051	**1,441,429**	1,213,741

* *voluntarily presented*

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2017

	Note	**Unaudited 30 September 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**8,167,241**	8,693,113
Leasehold land and land use rights		**1,177,027**	1,205,512
Investment properties		**40,244**	41,112
Intangible assets		**9,153**	7,635
Investments in associates		**35,188**	42,867
Deferred income tax assets		**295,642**	281,329
Available-for-sale financial assets		**45,740**	36,567
Total non-current assets		**9,770,235**	10,308,135
Current assets			
Inventories		**2,677,273**	2,452,558
Trade receivables	10	**892,098**	1,270,838
Prepayments, deposits and other receivables		**607,193**	678,749
Financial assets at fair value through profit or loss		**942,731**	941,556
Cash and cash equivalents		**10,369,069**	11,557,371
Total current assets		**15,488,364**	16,901,072
Total assets		**25,258,599**	27,209,207

	Note	**Unaudited 30 September 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**1,879,131**	1,880,898
Reserves		**11,151,793**	10,390,307
		13,030,924	12,271,205
Non-controlling interests		**42,364**	49,718
Total equity		**13,073,288**	12,320,923
LIABILITIES			
Non-current liabilities			
Borrowings		**3,268,148**	5,890,452
Deferred income tax liabilities		**112,978**	125,101
Other non-current liabilities		**109,787**	100,734
Total non-current liabilities		**3,490,913**	6,116,287
Current liabilities			
Trade payables	11	**1,328,629**	1,345,427
Accruals and other payables		**2,931,875**	3,017,393
Current income tax liabilities		**239,328**	396,083
Borrowings		**4,194,566**	4,013,094
Total current liabilities		**8,694,398**	8,771,997
Total liabilities		**12,185,311**	14,888,284
Total equity and liabilities		**25,258,599**	27,209,207

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2017

1. General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 20 November 2017.

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

2. Basis of preparation

This condensed consolidated interim financial information for the nine months ended 30 September 2017 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 2016, which have been prepared in accordance with HKFRSs.

3. Accounting policies

(a) Change of financial year end date and voluntary financial information

The Board of Directors has resolved to change the financial year end date of the Company from 31 December to 31 March. Accordingly, the current financial year will cover a fifteen-month period from 1 January 2017 to 31 March 2018. This condensed consolidated interim financial information now presented covers a nine-month period from 1 January 2017 to 30 September 2017, and the comparative figures in this condensed consolidated interim financial information cover a nine-month period from 1 January 2016 to 30 September 2016.

In order to improve the comparability of financial information, the Company has voluntarily presented the condensed consolidated statement of income, statement of comprehensive income for a six-month period from 1 April 2017 to 30 September 2017, and the comparative figures in the condensed consolidated statement of income, statement of comprehensive income for a six-month period from 1 April 2016 to 30 September 2016.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 March 2018.

(b) New amendments of HKFRS adopted by the Group

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017.

- Amendments to HKAS 12 'Income Taxes' on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- Amendments to HKAS 7 'Statement of Cash Flows' introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendment to HKFRS 12 'Disclosure of Interest in Other Entities' is part of the annual improvements to HKFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of HKFRS 12).

  The adoption of the above new amendments did not give rise to any significant impact on the Group's results of operations and financial position for the nine months ended 30 September 2017.

(c) New standards and amendments of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 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 2017, 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:

(i) HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

(ii) HKFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.

(iii) HKFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019.

(iv) Amendments to HKFRS 4 'Insurance Contracts', effective for annual periods beginning on or after 1 January 2018.

(v) Amendment to HKFRS 1 'First Time Adoption of HKFRS', effective for annual periods beginning on or after 1 January 2018.

(vi) Amendment to HKAS 28 'Investments in Associates and Joint Ventures', effective for annual periods beginning on or after 1 January 2018.

(vii) HK (IFRIC) 22 'Foreign Currency Transactions and Advance Consideration', effective for annual periods beginning on or after 1 January 2018.

(viii) HK (IFRIC) 23 'Uncertainty over income tax treatments', effective for annual periods beginning on or after 1 January 2019.

(ix) 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, gift packs;

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

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

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

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

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

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

	Nine months ended 30 September 2017					
	Rice crackers *RMB'000*	**Dairy products and beverages** *RMB'000*	**Snack foods** *RMB'000*	**Other products** *RMB'000*	**Unallocated** *RMB'000*	**Group** *RMB'000*
Segment results						
Revenue	**2,949,540**	**6,796,098**	**3,798,268**	**41,524**	**–**	**13,585,430**
Segment profit/(loss)	**405,165**	**1,997,248**	**750,276**	**(6,622)**	**(391,120)**	**2,754,947**
Finance income – net						**41,935**
Share of losses of associates						**(3,864)**
Profit before income tax						**2,793,018**
Income tax expense						**(781,013)**
Profit for the period						**2,012,005**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**189,683**	**252,382**	**217,352**	**1,274**	**16,518**	**677,209**
Amortisation of leasehold land and land use rights	**5,436**	**10,621**	**4,573**	**914**	**157**	**21,701**
Depreciation of investment properties	**–**	**–**	**–**	**1,139**	**–**	**1,139**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**759**	**759**
Capital expenditure	**20,817**	**81,699**	**70,995**	**18,511**	**36,312**	**228,334**

Segment assets exclude cash and cash equivalents, financial assets at fair value through profit or loss, equity investments and other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude borrowings, dividends payable and other unallocated head office and corporate liabilities, as these liabilities are managed on a group basis.

The segment assets and liabilities as at 30 September 2017 are as follows:

	30 September 2017					
	Rice crackers *RMB'000*	**Dairy products and beverages** *RMB'000*	**Snack foods** *RMB'000*	**Other products** *RMB'000*	**Unallocated** *RMB'000*	**Group** *RMB'000*
Segment assets and liabilities						
Segment assets	**2,621,587**	**7,396,844**	**3,637,311**	**106,090**	**149,779**	**13,911,611**
Cash and cash equivalents						**10,369,069**
Financial assets at fair value through profit or loss						**942,731**
Investments in associates						**35,188**
Total assets						**25,258,599**
Segment liabilities	**890,023**	**2,050,722**	**1,146,127**	**12,530**	**224,532**	**4,323,934**
Borrowing						**7,462,714**
Dividends payable						**398,663**
Total liabilities						**12,185,311**

The segment information for the nine months ended 30 September 2016 is as follows:

	Nine months ended 30 September 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	2,999,351	6,838,922	3,872,737	30,507	–	13,741,517
Segment profit/(loss)	408,878	2,296,322	927,667	(20,572)	(392,050)	3,220,245
Finance income – net						84,234
Share of losses of associates						(4,884)
Profit before income tax						3,299,595
Income tax expense						(960,913)
Profit for the period						2,338,682
Other segment items included in the income statement						
Depreciation of property, plant and equipment	193,149	227,088	196,858	1,406	47,511	666,012
Amortisation of leasehold land and land use rights	4,386	10,704	4,771	995	151	21,007
Depreciation of investment properties	–	–	–	1,152	–	1,152
Amortisation of intangible assets	–	–	–	–	638	638
Capital expenditure	38,477	184,335	60,971	17,169	53,326	354,278

The segment assets and liabilities as at 31 December 2016 are as follows:

	31 December 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	2,980,362	7,779,528	3,646,860	109,011	151,652	14,667,413
Cash and cash equivalents						11,557,371
Financial assets at fair value through profit or loss						941,556
Investments in associates						42,867
Total assets						27,209,207
Segment liabilities	1,391,258	2,035,739	1,202,014	237,259	118,468	4,984,738
Borrowing						9,903,546
Total liabilities						14,888,284

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

	Six months ended 30 September 2017					
	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	**1,885,258**	**4,576,745**	**2,515,349**	**28,324**	**–**	**9,005,676**
Segment profit/(loss)	**259,949**	**1,317,130**	**447,519**	**(10,106)**	**(260,289)**	**1,754,203**
Finance income – net						**12,800**
Share of losses of associates						**(3,251)**
Profit before income tax						**1,763,752**
Income tax expense						**(495,587)**
Profit for the period						**1,268,165**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**125,825**	**167,502**	**144,146**	**836**	**10,523**	**448,832**
Amortisation of leasehold land and land use rights	**3,975**	**7,053**	**2,981**	**610**	**103**	**14,722**
Depreciation of investment properties	**–**	**–**	**–**	**759**	**–**	**759**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**554**	**554**
Capital expenditure	**13,145**	**40,167**	**33,932**	**17,652**	**26,605**	**131,501**

The segment information for the six months ended 30 September 2016 is as follows:

	Six months ended 30 September 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	1,702,646	4,298,000	2,446,332	21,502	–	8,468,480
Segment profit/(loss)	169,060	1,494,973	551,594	(16,215)	(264,818)	1,934,594
Finance income – net						50,353
Share of losses of associates						(2,792)
Profit before income tax						1,982,155
Income tax expense						(570,771)
Profit for the period						1,411,384
Other segment items included in the income statement						
Depreciation of property, plant and equipment	129,232	151,979	131,559	919	32,044	445,733
Amortisation of leasehold land and land use rights	2,924	7,136	3,181	686	101	14,028
Depreciation of investment properties	–	–	–	768	–	768
Amortisation of intangible assets	–	–	–	–	427	427
Capital expenditure	17,425	74,691	23,849	12,213	31,829	160,007

5. Other gains – net

	Nine months ended 30 September		Six months ended 30 September	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net foreign exchange gain	**23,538**	12,890	**32,983**	8,629
Gains/(losses) on disposal of property, plant and equipment, net	**2,937**	(11,734)	**(592)**	(8,834)
Gains on disposal of leasehold land and land use rights	**2,612**	–	**2,612**	–
Donation expenses	**(5,458)**	(17,596)	**(2,900)**	(15,244)
Gains on fair value re-measurement of financial assets at fair value through profit or loss	**33,140**	56,301	**24,521**	38,326
Gains on disposal of financial assets at fair value through profit or loss	**579**	–	**579**	–
Others	**36,572**	21,112	**17,628**	13,878
Total	**93,920**	60,973	**74,831**	36,755

6. Other income

	Nine months ended 30 September		Six months ended 30 September	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Government grants	**315,122**	251,111	**168,279**	164,705
Sale of scraps	**33,859**	34,769	**23,678**	22,421
Rental income from investment properties, net	**1,924**	1,703	**1,352**	1,145
Others	**6,819**	3,169	**5,787**	1,967
Total	**357,724**	290,752	**199,096**	190,238

7. Income tax expense

	Nine months ended 30 September		Six months ended 30 September	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current income tax				
– Chinese mainland	**737,140**	808,100	**481,551**	497,848
– Taiwan region	**6,205**	4,875	**3,470**	2,218
– Hong Kong Special Administrative Region and overseas	**106**	101	**87**	53
	743,451	813,076	**485,108**	500,119
Deferred income tax	**37,562**	147,837	**10,479**	70,652
Total	**781,013**	960,913	**495,587**	570,771

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.

	Nine months ended 30 September		Six months ended 30 September	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit attributable to equity holders of the Company (RMB'000)	**2,020,869**	2,343,480	**1,274,100**	1,414,401
Weighted average number of ordinary shares in issue (thousands)	**12,514,464**	12,733,227	**12,514,049**	12,717,084
Basic earnings per share	**RMB16.15 cents**	RMB18.40 cents	**RMB10.18 cents**	RMB11.12 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 RMB1,013,685,000 for the year ended 31 December 2016 was paid in June 2017 (2016: RMB1,043,114,000).

An interim dividend for the six months ended 30 June 2017 of US0.48 cent per share (for the six months ended 30 June 2016: US0.58 cent) was declared by the Board of Directors on 22 August 2017. It was paid on 13 October 2017 to shareholders who were on the register of members of the Company on 22 September 2017. As at 30 September 2017, this interim dividend, amounting to RMB398,663,000 (as at 30 September 2016: RMB491,525,000), has been recognised as a liability and in shareholders' equity in this condensed consolidated interim financial information.

An interim dividend for the three months ended 30 September 2017 of US0.48 cent per share (for the three months ended 30 September 2016: nil) was declared by the Board of Directors on 20 November 2017. It is payable on or about 22 December 2017 to shareholders who are on the register of members of the Company on 8 December 2017. This interim dividend, amounting to RMB398,462,000 (as at 30 September 2016: nil), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognized in shareholders' equity in the financial year for the fifteen months ending 31 March 2018.

10. Trade receivables

	30 September 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade receivables		
– from third parties	**932,674**	1,311,675
– from related parties	**11,701**	11,470
	944,375	1,323,145
Less: provision for impairment	**(52,277)**	(52,307)
Trade receivables, net	**892,098**	1,270,838

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 (2016: 60 to 90 days).

As at 30 September 2017 and 31 December 2016, the ageing analysis of trade receivables based on invoice date is as follows:

	30 September 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 60 days	**586,593**	1,044,858
61-90 days	**120,253**	103,535
91-180 days	**113,155**	103,470
181-365 days	**73,518**	36,078
Over 365 days	**50,856**	35,204
Total	**944,375**	1,323,145

11. Trade payables

As at 30 September 2017 and 31 December 2016, the ageing analysis of the trade payables is as follows:

	30 September 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 60 days	**1,265,401**	1,271,829
61 to 180 days	**45,635**	53,899
181 to 365 days	**6,761**	6,465
Over 365 days	**10,832**	13,234
Total	**1,328,629**	1,345,427

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

According to the latest data released by the National Bureau of Statistics of China on 19 October 2017, China's gross domestic product (GDP) grew at 6.9% year-on-year in the first three quarters of 2017, representing an increase of 0.2 percentage point over that of the same period last year. The GDP grew at 6.9% year-on-year in both the first and the second quarters and at 6.8% in the third quarter of 2017, exhibiting a steady and positive growth trend since the second half of 2016, which showed that China's economy had progressed steadily under the new normal economic condition.

CHANGE OF FINANCIAL YEAR END DATE

As sales of certain of the Group's products are closely associated with the Chinese New Year, different timing of the Chinese New Year in each year may give rise to a substantial year-on-year fluctuation of the operating results of the Group when having a financial year end date of 31 December, thus affecting the perception of the actual underlying business performance of the Group. In this regard, on 22 August 2017, the Board resolved that the financial year end date of the Company would be changed from 31 December to 31 March. Accordingly, the condensed consolidated interim financial information presented for the current period covers a period of nine months from 1 January 2017 to 30 September 2017, with comparative figures covering the corresponding nine-month period from 1 January 2016 to 30 September 2016.

Following the aforesaid change of the financial year end date, the first half-year period of a financial year would cover a period of six months from 1 April to 30 September in the year, while the second half-year period would cover a period of six months from 1 October to 31 March of the following year. To facilitate a better understanding of the operating results of the Group in the first half-year period of 2017 when applying the new financial year end date, the condensed consolidated interim financial information presented herein also contains financial information for the six-month period from 1 April 2017 to 30 September 2017 and the comparative financial information for the six-month period from 1 April 2016 to 30 September 2016.

For the period from April to September 2017

The Group achieved a total revenue of RMB9,005.7 million for the period from April to September 2017 (the first half-year period of 2017 when applying the new financial year end date), representing an increase of 6.3% as compared with that of the same period in 2016. All of the three key product segments of the Group achieved positive revenue growth during this period. The rice crackers segment grew at 10.7% year-on-year. Dairy products and beverages segment grew at 6.5% year-on-year, among which, the revenue from the "Hot-Kid milk", which accounted for over 90% of the segment's revenue, achieved a year-on-year growth rate of 10.1%. The snack foods segment grew at 2.8% year-on-year.

As a result of the increase in the cost of certain key raw materials, such as packaging materials, sugar and whole milk powder, the gross profit margin of the Group for the period from April to September 2017 decreased by 4.2 percentage points over the same period of 2016 to 43.7%. The operating expense ratio decreased by 0.5 percentage point year-on-year to 27.2%. Due to the decrease in gross profit margin, the profit margin attributable to equity holders of the Company for the same period decreased by 2.6 percentage points as compared with that of the same period in 2016 and the profit attributable to equity holders of the Company decreased by 9.9% to RMB1,274.1 million.

For the period from January to September 2017

The Group achieved a total revenue of RMB13,585.4 million for the period from January to September 2017, representing a decrease of 1.1% as compared with that of the same period in 2016. The decrease was attributed mainly to the 11-day shorter period of sales during the Chinese New Year in the first quarter of 2017, and hence some of these festive season sales were shifted to and recognized towards the end of 2016, resulting in a year-on-year revenue decline in the first quarter of 2017. In terms of the Group's revenue attributable to the three key product segments, the revenue from the rice crackers and the snack foods segments together accounted for 49.7% of the Group's revenue while that from the dairy products and beverages segment accounted for 50.0% of the Group's revenue.

As a result of the increase in the cost of certain key raw materials, such as packaging materials and sugar, the gross profit margin of the Group for the nine months from January to September 2017 decreased by 3.6 percentage points to 44.1% as compared with that of the same period in 2016. The distribution costs and administrative expenses of the Group, in aggregate, decreased by 0.3% to RMB3,682.1 million for the nine months from January to September 2017. As a result of the foregoing, the profit attributable to equity holders of the Company for the period from January to September 2017 decreased by 13.8% year-on-year to RMB2,020.9 million, and the profit margin attributable to equity holders of the Company decreased by 2.2 percentage points to 14.9%.

REVENUE

For the period from April to September 2017

Benefiting from the optimization of sales operation and the enhanced performance of various distribution channels and points of sales, the Group's total revenue increased by 6.3% from RMB8,468.5 million for the six months from April to September 2016 to RMB9,005.7 million for the same period in 2017, and the revenue growth for both quarters during the period from April to September 2017 achieved a middle to high single-digit growth rate. Revenue from the three key product segments also registered varying degrees of year-on-year growth, among which, the revenue from "Hot-Kid milk" grew at 10.1%, core-brand rice crackers grew at 10.3% and popsicles grew at 16.1%. The sales of ball cakes which was negatively affected by the counterfeit products during 2016, also resumed positive growth in the relevant period of 2017.

The Group's rationalization of sales organization to improve market performance in sales with a geographic focus and optimized regional management, have started to bring positive results in the period from April to September 2017. In terms of the sales performance by distribution channels, traditional distribution channels resumed its growth, driven by the continued enhancement of the service and display at the retail stores. The implementation of the channel customization strategy and deployment of in-store promoters made the modern channels achieve a double-digit growth rate. The adoption of lively and trendy product marketing strategies for the emerging e-commerce and maternity channels not only drove the revenue growth of core products, but also attracted new consumer groups and expanded the Group's consumer base.

For the period from January to September 2017

Affected by the 11-day shorter sales period during the Chinese New Year in 2017 and hence some of these festive season sales being shifted to and recognized towards the end of 2016, the Group experienced a decrease in revenue in the first quarter of the year over that of the same period last year. The period from April to September is the traditionally slow season in sales relative to the Chinese New Year peak season, nevertheless, the steady revenue growth during April to September 2017 substantially offset the negative impact of the shorter peak season sales period in the first quarter of 2017. As a result, the Group's revenue only experienced a slight decline of 1.1% for the period from January to September 2017 as compared with that of the same period in 2016.

With respect to the performance of the three key product segments during the period, the year-on-year decline of rice crackers revenue in the first quarter of 2017 caused by the shorter period of sales during the Chinese New Year has a much greater impact on the performance of rice crackers, as a result, revenue of rice crackers decreased by 1.7% to RMB2,949.5 million for the period from January to September 2017 as compared with that for the same period in 2016. Revenue of dairy products and beverages for the period from January to September 2017 slightly decreased by 0.6% as compared with that of the same period in 2016, while "Hot-Kid milk", the revenue of which represented over 90% of the segment's revenue, achieved a year-on-year growth rate of 2.1%, showing a steady and positive growth trend. Due primarily to the impact of the shorter sales period of the Chinese New Year and counterfeit products in the market for some of the products in the snack foods segment, revenue of snack foods in the first three quarters of 2017 decreased slightly by 1.9% over that of the same period in 2016. However, the revenue of popsicles, a subcategory of the segment, achieved a double-digit growth rate during such period.

Rice crackers

The revenue of rice crackers for the period from April to September 2017 amounted to RMB1,885.3 million, representing an increase of 10.7% as compared with that of the same period in 2016, which is higher than the single-digit compound annual growth rate of rice crackers during the past 5 years, demonstrating the Group's strong brand recognition and absolute market leadership position.

The increased sales of rice crackers for the period from April to September 2017 was attributed to the growth across all channels:

The Group adopted the differentiated marketing strategy of "brand+channel", which caters to the diversified needs of consumers from different channels. For example, "MR. HOT" series of rice cracker products with strong flavor sold through e-commerce channels were well received by young people. Sugar-coated crackers and savoury senbei packed in 360g per bag are specially tailored for modern channels and suitable for family consumption on a regular basis. Rice crackers for toddlers under "Baby Mum-Mum" brand, which were well received by new parents and children, became the main contributors to the sales growth in maternity channels. Benefiting from the implementation of such strategies, the sales of rice crackers through modern channels achieved a double-digit growth rate, and the sales through emerging channels was doubled. The Group optimized its sales and marketing operations and actively explored the fourth-tier and fifth-tier markets, which has provided a solid foundation for growth in the traditional channels.

In addition, the Group's rice crackers products were in great demand in Southeast Asia and North America markets, which boosted the growth of rice crackers business during the past six months. The core-brand rice crackers achieved a year-on-year growth rate of 10.3% for the period from April to September 2017 (non-traditional peak season).

The period from October 2017 to March 2018 will be the peak season sales for the upcoming Chinese New Year and sales of gift packs would be concentrated during such period. The Group will take advantage of 2018 Lunar Year of Dog to launch a selection of unique Want Want packaged products and gift packs in due course and adopt the diversified marketing strategy with eye-catching product displays at the points of sales, to enhance the Group's festive sales.

The operating results of rice crackers for the period from April to September 2017 outperformed that of the same period in the previous years and substantially offset the negative impact due to the shorter Chinese New Year sales period in the first quarter of 2017. As a result, the revenue of rice crackers for the period from January to September 2017 only decreased slightly by 1.7% to RMB2,949.5 million as compared with that of the same period in 2016. With the financial year end date being changed to 31 March, the year-on-year comparison of annual rice crackers sales would be more appropriate and better reflect the actual underlying performance of the segment.

Dairy products and beverages

Revenue of dairy products and beverages reached RMB4,576.7 million for the period from April to September 2017, representing an increase of 6.5% as compared with that of the same period in 2016, among which, revenue from "Hot-Kid milk" increased by 10.1% year-on-year.

During the past three years, despite the difficult operating environment primarily due to the weakness of the dairy industry and shift in consumer demands, the Group did not adopt price promotion as an interim measure to enhance the sales performance of "Hot-Kid milk". Instead, the Company took various measures to strengthen its operations at the retail level and build a solid foundation, manage channel inventory at a reasonable level, expand market share in third-tier and fourth-tier cities as well as increase the investment and effort in the management and services at points of sales to consolidate the market share of "Hot-Kid milk". Meanwhile, by further expanding the product ranges and adopting diversified marketing and promotional activities, the Group extended its market reach and broadened its consumer base, and as a result, revenue of dairy products and beverages through e-commerce channels and modern channels increased respectively by two-fold and by a rate of high twenties as compared with that in the same period of last year.

In the future, the Group will continue to diversify its dairy products and beverages offerings, keep up with the market trends to meet the consumers' needs and adopt a targeted approach to launch a few selected totally new or relatively new dairy and beverages products to provide consumers with more choices. At the same time, the Group will continue to devote more efforts on the development of channels and the further penetration of traditional channels and investment in the marketing and promotion of new products, point-of-sales expansion and enhancement as well as communication and interaction with consumers by various means in order to maintain stable and healthy development of dairy products and beverages.

With the implementation of the above strategies, revenue of dairy products and beverages for the period from January to September 2017 amounted to RMB6,796.1 million, representing a slight decrease of 0.6% as compared with that of the same period in 2016. Revenue of "Hot-Kid milk", which accounted for over 90% in the revenue of dairy products and beverages, increased by 2.1% for the period from January to September 2017, as compared with that of the same period in 2016 while revenue of beverages recorded a year-on-year decline.

Snack foods

Revenue of snack foods reached RMB2,515.3 million for the period from April to September 2017, representing an increase of 2.8% as compared with that of the same period in 2016. Among which, revenue of popsicles, which are mainly sold in the summertime, increased by 16.1%. Sales of ball cakes in certain regions were negatively impacted by the counterfeit issue in the previous year. After a series of effective actions to combat the counterfeit products, market orderliness and confidence gradually recovered and revenue of ball cakes for the period from April to September in 2017 grew by 2.6%. However, due to the weakness of the entire industry, the revenue of candies declined slightly over the same period of the previous year.

Revenue of popsicles, which accounted for more than one-third of this segment's revenue, benefited mainly from the extremely hot weather in this summer and the Group's effort on expanding points of sales with refrigeration facilities, adopting a variety of displays to stimulate the buying desire of consumers and diversifying the product offerings with different price ranges to cater for the varied needs of consumers. The year of 2017 marks the 20th anniversary of the launch of Want Want's popsicles in the market. The mid-teen compound annual revenue growth rate of popsicles over the past 20 years demonstrates the strong brand value and product appeal of Want Want's popsicles. In the future, the Group will provide more unique and delicious new products so that Want Want's popsicles would continue to lead the consumer trend and bring endless surprises and joy to consumers.

In addition, the Group launched various marketing compaigns tailored for certain products. For example, Hot-Kid became the official growing-up partner of the Chinese-version stage show "Thomas & Friends Carnival" (《托馬斯＆朋友-嘉年華！來了！》) during its first season tour, together with the introduction of the limited edition ball cakes and QQ gummy under the Hot-Kid brand and featuring "Thomas & Friends" on the packing. During the stage show tour, there was a wide range of interesting brand interaction with consumers outside the show, conveying our brand philosophy in a happy and friendly atmosphere. During Halloween, "Trick or Treat (一起來搗蛋)" special series of Want Want's Halloween candy products were hot selling items on the e-commerce platform. Chinese New Year is also the hot sales season of products such as milk chewy, biscuits, etc.. The Group is actively preparing and coordinating its production and marketing of a variety of festive products to satisfy consumer needs during the festival.

Primarily as a result of the substantial sales growth of popsicles and the gradually recovered sales of ball cakes, revenue of snack foods for the period from January to September 2017 only decreased by 1.9% to RMB3,798.3 million as compared with that of the first three quarters in 2016.

COST OF SALES

The cost of sales of the Group for the period from April to September 2017 amounted to RMB5,074.5 million, representing an increase of 15.0% as compared with that of the same period in 2016. The cost of sales of the Group included primarily cost of key raw materials (such as packaging materials, milk powder, sugar, rice and palm oil), direct labour and manufacturing costs such as utility expenses. The increase in the cost of sales of the Group was attributable mainly to the increase in sales during the period and the substantial increase in the cost of certain key raw materials such as packaging materials (mainly paper and tinplate), sugar and whole milk powder over that of the same period in 2016.

The cost of sales of the Group for the period from January to September 2017 amounted to RMB7,600.0 million, representing an increase of 5.8% as compared with that of the same period in 2016.

GROSS PROFIT

Due to the significant increase in the cost of certain key raw materials, the gross profit decreased by 3.1% to RMB3,931.2 million, and the Group's gross profit margin dropped by 4.2 percentage points to 43.7% for the period from April to September 2017 as compared with that of the same period in 2016.

In the future, the Group will continue to devote itself to the automation project for the relatively labour-intensive production lines and consolidating and rationalizing some of its production bases and production lines to optimize the deployment of production manpower and facilitate the implementation of multi-brand and channel customization strategies as well as to achieve the best supply chain efficiency.

The Group's gross profit decreased by 8.8% to RMB5,985.4 million, and gross profit margin dropped by 3.6 percentage points to 44.1% for the period from January to September 2017 as compared with that of the same period in 2016.

Rice Crackers

The gross profit margin of rice crackers was 38.7% for the period from April to September 2017, representing a decrease of 0.6 percentage point as compared with that of the same period in 2016, mainly due to the rising cost of certain key raw materials. However, benefiting from the improved utilization rate and enhanced operating efficiency as a result of the increase in sales of rice crackers by a double-digit during such period, together with the effect of improving automation over the years, the Group effectively managed its raw material cost pressure.

The gross profit margin of rice crackers products was 38.8% for the period from January to September 2017, representing a decrease of 2.7 percentage points as compared with that of the same period in 2016, mainly due to a double-digit increase in the cost of certain key raw materials such as carton, sugar and palm oil.

Dairy products and beverages

The gross profit margin of dairy products and beverages was 46.4% for the period from April to September 2017, representing a decrease of 5.7 percentage points as compared with that of the same period in 2016. The cost of certain raw materials such as carton and tinplate has been rising since late 2016, and was increased by a double-digit growth rate for the period as compared with that of the same period in the previous year. In addition, the cost of whole milk powder for the period from April to September 2017 also increased as compared with that of the same period in 2016. As a result, gross profit margin of dairy products and beverages recorded a year-on-year decline for the period from April to September 2017.

The gross profit margin of dairy products and beverages was 46.9% for the period from January to September 2017, representing a decrease of 3.9 percentage points as compared with that of the same period in 2016.

Snack foods

The gross profit margin of snack foods was 42.7% for the period from April to September 2017, representing a decrease of 4.4 percentage points as compared with that of the same period in 2016, due mainly to the higher proportion of usage of sugar in this segment while the cost of sugar and carton for the same period increased by more than 20%. Among the three key product segments, snack foods have the widest range of products, including many distinctive products with a high market share, such as popsicles, ball cakes and QQ gummy. The Group, through continuous product upgrade, product customization for different distribution channels, introduction of new products with higher gross margins, maintained a relatively stable profitability for the snack foods segment.

The gross profit margin of snack foods was 43.3% for the period from January to September 2017, representing a decrease of 4.4 percentage points as compared with that of the same period in 2016.

DISTRIBUTION COSTS

The distribution costs for the period from April to September 2017 amounted to RMB1,330.5 million, representing an increase of RMB162.9 million as compared with that of the same period in 2016. Distribution costs as a percentage of revenue increased by 1.0 percentage point to 14.8% as compared with that of the same period in 2016. It was due mainly to an increase of advertising and promotion expenses as a percentage of revenue by 0.8 percentage point to 3.5%, as compared with 2.7% in the same period in 2016. As a result of the Group's increased investment in the resources of emerging distribution channels and modern channels in 2017. In the future, the Group will continue to invest in branding and marketing and promotion resources for all distribution channels while implementing appropriate cost control measures to improve operating efficiency.

Despite the rising transportation prices, the transportation expenses as a percentage of revenue decreased by 0.2 percentage point to 3.8%, as compared with 4.0% in the same period in 2016, mainly as a result of the Group's continuous improvement in supply chain efficiency through rational planning and arrangement.

Other distribution costs (mainly including labour cost) as a percentage of revenue was 7.5%, representing an increase of 0.4 percentage point as compared with that of the same period in 2016, due mainly to the increase in the number of sales representatives and in-store promoters stationed at modern channel outlets to strengthen the services and display quality at the points of sales and to proactively expand the customer base in the fourth-tier and fifth-tier cities for further expansion of its distribution channels and market penetration. Going forward, the Group will continue to implement cost control measures and increase productivity so as to further enhance operational efficiency.

The distribution costs for the period from January to September 2017 amounted to RMB2,018.9 million, representing an increase of 4.8% as compared with RMB1,926.5 million in the same period in 2016. Distribution costs as a percentage of revenue increased by 0.9 percentage point to 14.9% as compared with that of the same period in 2016, among which, advertising and promotion expenses as a percentage of revenue increased by 0.2 percentage point to 3.5%, as compared with 3.3% in the same period in 2016, due mainly to the fact that the Group increased investment of resources in certain distribution channels. The transportation expenses as a percentage of revenue slightly increased 0.1 percentage point to 4.0% from 3.9% for the first three quarters of 2016. Other distribution costs as a percentage of revenue increased by 0.6 percentage point to 7.4% as compared with that of the same period in 2016, due mainly to an increase of labour costs as a result of the increase in the number of sales representatives and in-store promoters.

ADMINISTRATIVE EXPENSES

The Group remained committed to the effective management with control of resources and efficiency. Administrative expenses of the Group decreased by 5.0% from RMB1,179.7 million for the period of April to September 2016 to RMB1,120.4 million for the period from April to September 2017. Administrative expenses as a percentage of revenue was 12.4%, representing a decrease of 1.5 percentage points from that of the same period in 2016.

Administrative expenses of the Group decreased by RMB101.9 million or 5.8% to RMB1,663.2 million for the period from January to September 2017 as compared with that of the same period in 2016. Administrative expenses as a percentage of revenue was 12.2%, representing a decrease of 0.6 percentage point from that of the same period of 2016.

OPERATING PROFIT

Due to the decrease in gross profit margin, the Group's operating profit for the period from April to September 2017 decreased by RMB180.4 million to RMB1,754.2 million as compared with that of the same period of 2016, with an operating profit margin of 19.5%.

The Group's operating profit for the period from January to September 2017 decreased by 14.4% to RMB2,754.9 million as compared with that of the same period last year, with an operating profit margin of 20.3%.

INCOME TAX EXPENSE

The Group's income tax expense for the period from April to September 2017 was RMB495.6 million, and the income tax rate was 28.1%, representing a decrease of 0.7 percentage point as compared with that of same period in 2016.

The Group's income tax expense for the period from January to September 2017 was RMB781.0 million, and the income tax rate was 28.0%, representing a decrease of 1.1 percentage points as compared with that of the first three quarters of 2016.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company for the period from April to September 2017 amounted to RMB1,274.1 million and the margin of profit attributable to equity holders was 14.1%.

Profit attributable to equity holders of the Company for the period from January to September 2017 amounted to RMB2,020.9 million and the margin of profit attributable to equity holders was 14.9%.

OUTLOOK

In the first three quarters of 2017, the Group devoted its resources in expanding distribution channels, management of points of sales and through organizational restructuring to stimulate regional operational efficiency and to increase the sale of existing products so as to achieve its healthy market recovery trend. With the gradual recovery of sales momentum and the approaching traditional Chinese New Year peak season, the Group will further proceed on the basis of the following:

Targeted Marketing and Consumer Interaction Initiatives, Building up a Climax for Festival Sales

As for our young customers, the Group exclusively sponsored the "Spartan Kids Race", where the Hot-Kid mascot participated in the race, enjoying and having fun together with kids in doing outdoor sports. These events enabled the kids to come together to enjoy and gain friendship and courage. In addition, the Group has also sponsored various sports events including "National Hockey League (NHL) China Games" and "Want Want Cup" 2017 Beijing Youth Fencing Open Championship, so as to build a happy and young brand image. The Group will continue to carry out cross-industry collaboration with brands that are popular among children to deepen their love to Want Want through their participation in the activities. The Group will soon have its sales peak for the upcoming Chinese New Year, which is the sales peak season of gift packs, rice crackers, milk candies and biscuits. The Group will organize various sessions of distributor fair "Bringing Want Want Home" featuring Want Want distinctive marketing culture. It is expected that the number of sessions will be much higher than that of past years and 300,000 retailers and wholesalers will gather together to pre-order Want Want products and fill up their stocks in advance in a joyous atmosphere. The Group will provide consumers a variety of products with festive packaging and bring happiness to them in the festive season.

Expansion and Cultivation of Distribution Channels

In 2017, the Group's efforts in enhancing management efficiency through regional-based management with increased geographical focus and streamlined management structure and dedicating resources to points of sales maintenance and consumer interaction have started to show positive results. In the future, the Group will further improve its resources efficiency, actively expand the points of sales coverage and increase market penetration to fourth-tier and fifth-tier cities, in particular, so as to increase the number of effective points of sales under its coverage and improve retail shelf occupancy ratio. Meanwhile, based on middle and long-term channel development considerations, we are committed exploring a multi-channel business model and adopting customization strategy of "brand+channel" to cater for the increasingly differentiated needs of consumers and broaden our consumer base.

Product Optimization and Upgrade

Packaging upgrade and taste diversification can stimulate consumers' desire for repeated purchases. In addition, the Group will expand its product portfolio, particularly for the existing dairy products and beverages segment which currently has a relatively simple product offering. In the future, the Group will focus on promotion of certain selected dairy products and beverages that can satisfy the needs of consumers with Want Want features. At the same time, healthy food such as buckwheat noodles with over 50% buckwheat content will also be one of the Group's development focuses. The Group will explore overseas markets for certain products and improve the utilisation rate of facilities and operational efficiency through engaging in OEM activities.

Diversified Digital Marketing

In recent years, the Group has been proactively exploring diversified ways of digital marketing for different target groups to enhance the communication of our brands and interaction with customers, which include:

- To satisfy the preferences and needs of the young consumers of e-commerce channels, the Group collaborated with renowned intellectual property rights (IP) owners/licensors in exploring cooperation on co-branded and licensed packaged products. For example, we launched a gift box customized for the Qixi Festival (the Chinese Valentine's Day) and it was our first application of augmented reality technology for delivering creative love letters on the online platform which attracted public's awareness and became a hot topic online;

- The Group continuously strengthened its cross-industry cooperation with Youzu.com from the entertainment industry and introduced a customized version of the Want Want Mini Fried Rice Cracker for the "Legacy of Discord (《狂暴之翼》)" while the Hot-Kid mascot was introduced to the game and IP integration was achieved;

- Leveraging on the interaction and recommendations of the key opinion leaders in the tourism program "Super-Player (《超級玩客》)" broadcasted on Taobao's live streaming platform, the Want Want flagship stores have received increased attention and expanded their customer base;

- Following Mr. Hot series and the IP licensed and co-branded products customized for e-commerce channels becoming online hot sellers, the Group launched a new e-commerce customized "Want Want Grow Bigger Gift Pack (「搞大系列」禮盒)", with jumbo savoury senbei and jumbo sugar-coated crackers in November this year, which were all generally well received by consumers, and with our previous online topic marketing, these products have become our key sales drivers in "Double 11 (Singles' Day)";

- During the Chinese New Year, the Group will host a festive-themed event of "Battle over Searching Want Want Character, Embrace Prosperity in the Year of the Dog (《金犬送旺，尋旺大作戰》)". The Group will not only create festive hot topics on social media platforms to promote interactions, but also carry out offline cooperative promotion activities together with video commercials, which aim at encouraging consumers to spend Chinese New Year with their friends and families accompanied by Want Want;

- In coming months, the Group will launch a series of cross-sector integrated marketing campaigns in the catering, tourism, movies and games sectors to increase users' loyalty and promote our brand image through diversified ways of marketing.

LIQUIDITY AND CAPITAL RESOURCES

Cash and borrowings

The Group finances its operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by its principal bankers. As at 30 September 2017, the Group's bank balances and deposits amounted to RMB10,369.1 million (31 December 2016: RMB11,557.4 million) (of which 82% was RMB, amounted to approximately RMB8,495.0 million; 16% was USD, equivalent to approximately RMB1,681.2 million), representing a decrease of RMB1,188.3 million as compared with that as at 31 December 2016, which was due mainly to the repayment of part of the borrowings during the current period.

As at 30 September 2017, the Group's total borrowings amounted to RMB7,462.7 million (31 December 2016: RMB9,903.5 million), representing a decrease of RMB2,440.8 million as compared with that as at 31 December 2016. The long-term borrowings, including the guaranteed bonds issued, amounted to RMB3,268.1 million (31 December 2016: RMB5,890.5 million), representing a decrease of RMB2,622.4 million as compared with that as at 31 December 2016. The short-term borrowings amounted to RMB4,194.6 million (31 December 2016: RMB4,013.1 million), representing an increase of RMB181.5 million as compared with that as at 31 December 2016. The decrease in long-term borrowings and increase in short-term borrowings were due primarily to the approaching maturity of the 5-year term senior notes issued in 2013, which was reclassified from the long-term borrowings to the short-term borrowings.

The Group issued US$600.0 million 5-year term guaranteed unsecured senior notes (the "Notes") with a coupon rate of 1.875% per annum in May 2013. As at 30 September 2017, the Notes payable amounted to US$599.6 million (31 December 2016: US$599.1 million).

The Group issued US$500.0 million 5-year term guaranteed bonds (the "Bonds") with a coupon rate of 2.875% per annum in April 2017. As at 30 September 2017, the Bonds payable amounted to US$492.4 million.

The Group's net gearing ratio (total borrowings net of cash and cash equivalents as a percentage of total equity (excluding non-controlling interests)) as at 30 September 2017 was -0.22 time (31 December 2016: -0.13 time). The Group maintains sufficient cash and available banking facilities for its working capital requirements and for capitalizing on any potential investment opportunities in the future. The management will from time to time review and make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash Flow

In the first three quarters of 2017, our cash and cash equivalents decreased by RMB1,188.3 million, among which, RMB2,287.6 million was generated from our operating activities, net cash outflow for financing activities was RMB3,244.8 million, which was used mainly for paying dividends of RMB1,013.7 million. The net borrowings outflow was RMB2,173.0 million. The net cash outflow for investment activities was RMB142.9 million, which was mainly used for the purchase of property, plant and equipment.

Capital Expenditure

Our capital expenditure for the period from January 2017 to March 2018 is estimated to be approximately RMB500 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 three quarters of 2017, our total capital expenditure amounted to RMB228.3 million (first three quarters of 2016: RMB354.3 million). We spent approximately RMB20.82 million, RMB81.70 million and RMB71.00 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, in order to prepare for the further growth of the 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 nine months ended 30 September 2017 and for the year ended 31 December 2016:

	Nine months ended 30 September 2017	Year ended 31 December 2016
Inventory turnover days	**91**	94

Trade receivables

Our trade receivables represent the amounts due from our customers for goods sold in credit. 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 distribution channels, which then on-sell our products to end-consumers.

The following table sets forth the number of our trade receivables turnover days for the nine months ended 30 September 2017 and the year ended 31 December 2016:

	Nine months ended 30 September 2017	Year ended 31 December 2016
Trade receivables turnover days	**21**	20

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 nine months ended 30 September 2017 and the year ended 31 December 2016:

	Nine months ended 30 September 2017	Year ended 31 December 2016
Trade payables turnover days	**47**	45

PLEDGE OF ASSETS

As at 30 September 2017, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

Our average number of employees was approximately 45,900 in the first three quarters of 2017, representing a decrease of 600 over that of the same period in 2016. Our total remuneration expenses in the first three quarters of 2017 amounted to RMB2,633.3 million, substantially the same as compared with that in the first three quarters of 2016. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance-based year-end bonuses having regard to the performance of the Group and the individual.

We have been investing in the continuing education and training programs of our employees. Training programs, both external and internal, are provided to relevant staff as and when required to constantly improve their professional knowledge and skills.

FOREIGN EXCHANGE RISKS

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

As procurement of raw materials and equipment from overseas and USD denominated borrowings of the Group are recognised in the financial statements of the subsidiaries of the Group which functional currency is USD, the assets and liabilities subject to foreign exchange risks are minimal and the relevant exposure after offsetting is not significant. As such, the fluctuation 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 did not hedge against its foreign exchange risks.

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 nine months ended 30 September 2017 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 nine months ended 30 September 2017, 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. The 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 the Group and has over 40 years of experience in the food and beverages industry. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies. The Group 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. The Company deviates from this provision because the non-executive Directors and independent non-executive Directors of the Company do not currently have specific terms of appointment. However, the articles of association of the 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 the 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. The 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 12 May 2017 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. 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 nine months ended 30 September 2017.

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

During the nine months ended 30 September 2017, the Company repurchased 12,906,000 shares on The Stock Exchange of Hong Kong Limited for an aggregate amount (excluding expenses) of 65,330,061 Hong Kong dollars (HK$). Such repurchased shares were cancelled.

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 2017	8,435,000	5.00	4.89	41,860,090
February 2017	1,416,000	5.39	5.36	7,597,971
September 2017	3,055,000	5.23	5.16	15,872,000
	12,906,000			65,330,061

Subsequent to the balance sheet date of 30 September 2017 and up to the date of this announcement, the Company repurchased a total of 3,300,000 shares on the HK Stock Exchange for an aggregate amount (excluding expenses) of HK$18,864,120. Such repurchased shares were subsequently cancelled in October 2017. The number of issued shares of the Company as at the date of this announcement is 12,507,769,135 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$)*
October 2017	3,300,000	5.75	5.68	18,864,120
	3,300,000			18,864,120

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 and the Bonds) of the Company during the nine months ended 30 September 2017 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 US0.48 cent per ordinary share of the Company for the three months ended 30 September 2017. The interim dividend is expected to be paid on or about 22 December 2017 to shareholders whose names appear on the register of members of the Company on 8 December 2017. 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 8 December 2017.

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 p.m. on 5 December 2017. The register of members of the Company will be closed from 6 December 2017 to 8 December 2017 (both dates inclusive).

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

Shanghai, 20 November 2017

As at the date of this announcement, the executive Directors are Mr. TSAI Eng-Meng, Mr. TSAI Wang-Chia, Mr. HUANG Yung-Sung, Mr. CHU Chi-Wen and Mr. CHAN Yu-Feng; the non-executive Directors are Mr. LIAO Ching-Tsun, Mr. TSAI Shao-Chung, Mr. MAKI Haruo and Mr. CHENG Wen-Hsien; and the independent non-executive Directors are Mr. TOH David Ka Hock, Dr. PEI Kerwei, Mr. CHIEN Wen-Guey, Mr. LEE Kwang-Chou and Dr. KAO Ruey-Bin.