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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2016	2015	Change
Key income statement items	***RMB'000***	*RMB'000*	*%*
		(Restated)	
Revenue	**19,710,128**	21,389,320	-7.9
Gross profit	**9,424,173**	9,386,721	+0.4
Operating profit	**4,811,229**	4,548,123	+5.8
EBITDA [1]	**5,727,490**	5,404,098	+6.0
Profit attributable to equity holders of the Company	**3,519,168**	3,382,526	+4.0
Key financial ratios	*%*	*%*	% point
Gross profit margin	**47.8**	43.9	+3.9
Operating profit margin	**24.4**	21.3	+3.1
EBITDA margin	**29.1**	25.3	+3.8
Margin of profit attributable to equity holders of the Company	**17.9**	15.8	+2.1

[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 year.

The board (the "Board") of directors (the "Directors") of Want Want China Holdings Limited (the "Company" or "Want Want") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2016, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	*3*	**19,710,128**	21,389,320
Cost of sales		**(10,285,955)**	(12,002,599)
Gross profit		**9,424,173**	9,386,721
Distribution costs		**(2,739,715)**	(3,109,222)
Administrative expenses		**(2,388,990)**	(2,257,572)
Other income	*4*	**429,536**	521,279
Other gains – net	*5*	**86,225**	6,917
Operating profit		**4,811,229**	4,548,123
Finance income		**276,339**	386,701
Finance costs		**(185,626)**	(129,809)
Finance income – net		**90,713**	256,892
Share of losses of associates		**(6,094)**	(7,932)
Profit before income tax		**4,895,848**	4,797,083
Income tax expense	*6*	**(1,378,473)**	(1,417,734)
Profit for the year		**3,517,375**	3,379,349
Profit attributable to:			
Equity holders of the Company		**3,519,168**	3,382,526
Non-controlling interests		**(1,793)**	(3,177)
		3,517,375	3,379,349
Earnings per share from profit attributable to equity holders of the Company for the year			
Basic earnings per share	*7*	**RMB27.70 cents**	RMB25.82 cents
Diluted earnings per share	*7*	**RMB27.70 cents**	RMB25.82 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**3,517,375**	3,379,349
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**(2,074)**	(11,234)
Items that may be reclassified to profit or loss		
Change in value of available-for-sale financial assets	**(13,793)**	(8,529)
Currency translation differences	**(375,986)**	(456,982)
Other comprehensive income for the year	**(391,853)**	(476,745)
Total comprehensive income for the year	**3,125,522**	2,902,604
Attributable to:		
– Equity holders of the Company	**3,126,794**	2,904,978
– Non-controlling interests	**(1,272)**	(2,374)
Total comprehensive income for the year	**3,125,522**	2,902,604

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	Note	**As at 31 December 2016 *RMB'000***	As at 31 December 2015 *RMB'000* (Restated)	As at 1 January 2015 *RMB'000* (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**8,693,113**	9,189,056	8,857,141
Leasehold land and land use rights		**1,205,512**	1,233,850	1,191,820
Investment properties		**41,112**	41,108	42,283
Intangible assets		**7,635**	5,227	5,338
Investments in associates		**42,867**	45,855	52,990
Deferred income tax assets		**281,329**	277,993	158,339
Available-for-sale financial assets		**36,567**	49,488	59,176
		10,308,135	10,842,577	10,367,087
Current assets				
Inventories		**2,452,558**	2,886,446	4,081,192
Trade receivables	*9*	**1,270,838**	887,632	808,881
Prepayments, deposits and other receivables		**678,749**	726,510	856,440
Financial assets at fair value through profit or loss		**941,556**	–	–
Cash and cash equivalents		**11,557,371**	9,372,597	10,095,827
		16,901,072	13,873,185	15,842,340
Total assets		**27,209,207**	24,715,762	26,209,427

	Note	**As at 31 December 2016** *RMB'000*	As at 31 December 2015 *RMB'000* (Restated)	As at 1 January 2015 *RMB'000* (Restated)
EQUITY				
Equity attributable to equity holders of the Company				
Share capital		**1,880,898**	1,925,328	1,968,637
Reserves		**10,390,307**	10,193,530	10,561,871
		12,271,205	12,118,858	12,530,508
Non-controlling interests		**49,718**	49,422	47,710
Total equity		**12,320,923**	12,168,280	12,578,218
LIABILITIES				
Non-current liabilities				
Borrowings		**5,890,452**	6,483,994	5,494,354
Deferred income tax liabilities		**125,101**	150,960	93,185
Other non-current liabilities		**100,734**	120,728	116,552
		6,116,287	6,755,682	5,704,091
Current liabilities				
Trade payables	*10*	**1,345,427**	1,163,248	1,203,788
Accruals and other payables		**3,017,393**	2,588,258	3,232,062
Current income tax liabilities		**396,083**	367,515	320,189
Borrowings		**4,013,094**	1,672,779	3,171,079
		8,771,997	5,791,800	7,927,118
Total liabilities		**14,888,284**	12,547,482	13,631,209
Total equity and liabilities		**27,209,207**	24,715,762	26,209,427

Notes:

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.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

Changes in accounting policy and disclosures

(a) Change in presentation currency

Having considered over 90% of the Group's revenue and business activities are conducted in the Chinese mainland and the functional currency of those subsidiaries in the Chinese mainland is RMB, the Group 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 changed its presentation currency from United States dollars ("US$") to RMB for the preparation of its financial statements.

The change in presentation currency has been applied retrospectively. The comparative figures in this consolidated financial statements were then translated from US$ to RMB using the applicable closing rates for assets and liabilities in the consolidated balance sheet and applicable average rates that approximated to actual rates for items in the consolidated income statement. 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) *Amendments of HKFRS adopted by the Group in 2016*

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2016.

- Amendment to HKFRS 11 ‘Accounting for Acquisitions of Interests in Joint Operations’

- Amendments to HKAS 16 and HKAS 38 ‘Clarification of Acceptable Methods of Depreciation and Amortisation’

- Amendment to HKAS 27 ‘Equity Method in 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’

  HKFRS 7 ‘Financial Instruments: Disclosures’ contains two amendments:

  i). Service contracts
  ii). Interim financial statements

  HKAS 19 ‘Employee Benefits’

  HKAS 34 ‘Interim Financial Reporting’

- Amendments to HKAS 10, HKFRS 12 and HKAS 28 ‘Investment Entities: Applying the Consolidation Exception’

- Amendments to HKAS 1 ‘Disclosure Initiative’

The adoption of the above amendments 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 year ended 31 December 2016.

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

(c) *New standards and amendments of HKFRS issued but are not 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 these consolidated financial statements. The Group is assessing and yet to determine 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.

3. 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 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 excluded other unallocated head office operating expenses, finance income-net and share of losses of associates, which is consistent with that in the financial statements.

The revenue of the Group for the years ended 31 December 2016 and 2015 are set out as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Rice crackers	**5,449,392**	5,209,918
Dairy products and beverages	**9,298,022**	10,739,430
Snack foods	**4,914,142**	5,374,562
Other products	**48,572**	65,410
Total revenue	**19,710,128**	21,389,320

The segment information for the year ended 31 December 2016 is as follows:

	Year ended 31 December 2016					
	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	**5,449,392**	**9,298,022**	**4,914,142**	**48,572**	**–**	**19,710,128**
Segment profit/(loss)	**1,113,473**	**3,106,960**	**1,152,644**	**479**	**(562,327)**	**4,811,229**
Finance income – net						**90,713**
Share of losses of associates						**(6,094)**
Profit before income tax						**4,895,848**
Income tax expense						**(1,378,473)**
Profit for the year						**3,517,375**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**260,126**	**306,402**	**265,606**	**1,869**	**51,868**	**885,871**
Amortisation of leasehold land and land use rights	**5,848**	**14,272**	**6,362**	**1,300**	**203**	**27,985**
Depreciation of investment properties	**–**	**–**	**–**	**1,538**	**–**	**1,538**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**867**	**867**
Capital expenditure	**51,226**	**234,810**	**74,016**	**18,796**	**68,687**	**447,535**

Segment assets exclude equity investments and other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude other unallocated head office and corporate liabilities such as borrowings, as these liabilities are managed on a group basis.

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	**5,186,330**	**14,871,331**	**5,163,532**	**1,198,990**	**746,157**	**27,166,340**
Investments in associates						**42,867**
Total assets						**27,209,207**
Total liabilities	**1,391,258**	**2,035,739**	**1,202,014**	**237,259**	**10,022,014**	**14,888,284**

The segment information for the year ended 31 December 2015 is as follows:

	Year ended 31 December 2015 (Restated)					
	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	5,209,918	10,739,430	5,374,562	65,410	–	21,389,320
Segment profit/(loss)	1,084,961	2,902,731	1,150,807	(63,069)	(527,307)	4,548,123
Finance income – net						256,892
Share of losses of associates						(7,932)
Profit before income tax						4,797,083
Income tax expense						(1,417,734)
Profit for the year						3,379,349
Other segment items included in the income statement						
Depreciation of property, plant and equipment	230,216	300,991	236,711	2,653	55,687	826,258
Amortisation of leasehold land and land use rights	4,967	14,277	6,385	1,219	191	27,039
Depreciation of investment properties	–	–	–	1,531	–	1,531
Amortisation of intangible assets	–	–	–	–	1,147	1,147
Capital expenditure	147,059	862,299	238,738	23,372	116,453	1,387,921

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

	31 December 2015 (Restated)					
	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	4,830,086	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

4. OTHER INCOME

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Government grants	**368,789**	451,937
Sale of scraps	**52,928**	63,095
Rental income from investment properties, net	**2,274**	2,120
Others	**5,545**	4,127
Total	**429,536**	521,279

The government grants represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group in the PRC.

5. OTHER GAINS – NET

	2016	2015
	RMB'000	RMB'000
		(Restated)
Net foreign exchange gains	**27,230**	3,870
Gain on disposal of financial assets at fair value through profit or loss	**10,050**	4,191
Gain on fair value re-measurement of financial assets at fair value through profit or loss	**61,556**	–
Losses on sales of property, plant and equipment	**(10,249)**	(17,499)
Donation expenses	**(18,019)**	(9,862)
Others	**15,657**	26,217
Total	**86,225**	6,917

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	RMB'000
		(Restated)
Current income tax:		
Current income tax on profits for the year	**1,171,133**	1,242,413
Deferred income tax		
Withholding tax on dividends from Chinese mainland subsidiaries	**210,295**	294,873
Origination and reversal of temporary differences	**(2,955)**	(119,552)
Income tax expense	**1,378,473**	1,417,734

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Effective from 1 January 2008, the Company's subsidiaries incorporated in the Chinese mainland are required to determine and pay the Corporate Income Tax ("CIT") in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") as approved by the National People's Congress on 16 March 2007 and Detailed Implementations Regulations of the New CIT Law (the "DIR") as approved by the State Council on 6 December 2007. According to the New CIT Law and DIR, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008.

Enterprises incorporated in other places are subject to income tax at the prevailing rates of 0% to 30% (2015: 0% to 30%) .

7. EARNINGS PER SHARE

(a) Basic

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

	2016	2015 (Restated)
Profit attributable to equity holders of the Company (RMB'000)	**3,519,168**	3,382,526
Weighted average number of ordinary shares in issue (thousands)	**12,706,185**	13,100,625
Basic earnings per share	**RMB 27.70 cents**	RMB 25.82 cents

(b) Diluted

Diluted earnings per share is the same as the basis earnings per share since the Company does not have diluted shares.

8. DIVIDENDS

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Interim dividend paid of US0.58 (2015: US0.61) cent per ordinary share	**494,314**	506,023
Proposed final dividend of US1.19 (2015: US1.25) cents per ordinary share	**1,030,000**	1,043,114
	1,524,314	1,549,137

On 14 March 2017, the Board recommended the payment of a final dividend of US1.19 cents (2015: US1.25 cents) per ordinary share, totalling RMB1,030,000,000 (2015: RMB1,043,114,000) for the year ended 31 December 2016. The proposed final dividend in respect of the year ended 31 December 2016 is calculated based on the total number of shares in issue as at the date of this announcement. The payment of the proposed final dividend is to be approved by the shareholders at the Company's forthcoming Annual General Meeting. The financial statements do not reflect this dividend payable.

The dividends paid in 2016 amounted to RMB1,537,428,000, comprising the final dividend for the year ended 31 December 2015 of RMB1,043,114,000 and the interim dividend for the six months ended 30 June 2016 of RMB494,314,000, which were paid in May and October 2016 respectively.

9. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Trade receivables		
– from third parties	**1,311,675**	915,662
– from a related party	**11,470**	9,117
	1,323,145	924,779
Less: provision for impairment of trade receivables	**(52,307)**	(37,147)
Trade receivables, net	**1,270,838**	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 31 December 2016 and 2015, the ageing analysis of trade receivables based on invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within 60 days	**1,044,858**	729,424
61-90 days	**103,535**	90,301
91-180 days	**103,470**	57,916
181-365 days	**36,078**	24,506
Over 365 days	**35,204**	22,632
	1,323,145	924,779

As at 31 December 2016, trade receivables aged over 90 days amounted to RMB174,752,000 (2015: RMB105,054,000) were impaired and provided for. The amount of provision was RMB52,307,000 (2015: RMB37,147,000). The individually impaired receivables mainly related to the customers in unexpected situations. It is assessed that a portion of the receivables is expected to be recovered.

The carrying amounts of the Group's trade receivables approximated their fair values as at the balance sheet dates.

10. TRADE PAYABLES

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Trade payables – to third parties	**1,345,427**	1,163,248

The ageing analysis of the trade payables as at 31 December 2016 and 2015 is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within 60 days	**1,271,829**	1,035,680
61 to 180 days	**53,899**	89,686
181 to 365 days	**6,465**	24,675
Over 365 days	**13,234**	13,207
	1,345,427	1,163,248

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates.

CHAIRMAN'S STATEMENT

Dear Shareholders,

As mentioned in the Chairman's Statement of the 2015 annual report, throughout more than 40 years of my career in Want Want, whenever I faced challenges and whenever the business encountered bottlenecks, I would calm down to ponder every single word of the "Company Motto". I had been inspired by the Motto in different ways over the years and under different circumstances. Nevertheless, "innovation for changes" has always been the theme. It is the "start from oneself" Want Want spirit that has casted our corporate culture of being fearless in embracing changes and brave in our progress.

In 2016, since the performance of some products were affected by the industry and weather conditions, the Group's revenue decreased by 7.9% year on year to RMB19,710.1 million. However, gross profit margin increased by 3.9 percentage points to 47.8% as compared with that of 2015 due to the decrease in cost of some raw materials. The operating expenses were well controlled, which decreased by 4.4% to RMB5,128.7 million as compared with that of 2015. Net profit attributable to equity holders of the Company increased by 4.0% to RMB3,519.2 million as compared with that of 2015 with a net profit margin of 17.9%. Earnings before interest, income tax, depreciation and amortization (EBITDA) grew 6.0% to RMB5,727.5 million over that of 2015.

Building on our business in 2015, we continued in 2016 to focus on modern channel, e-commerce and maternity channels and launched customized and personalized products for these channels respectively. This strategy was widely supported by both our customers and consumers, spurring a prominent growth in these three channels. In addition, we made use of our existing production capacity for introducing new products under different brands such as "Yappy", "Mr. Hot" and "Aiyo", which, to a large extent, helped to expand our existing consumer base and enhance our overall product presence on shelves in stores. We will continue to adhere to such strategy, enhance our brands' visibility and consumer coverage, and conduct various interactive activities with consumers with the objective of raising consumer awareness and recognition of Want Want's brands. Moreover, we will further enhance our market and product penetration through our "Delivering Want Want Products to Villages Project" so as to take full advantages of product diversification. I believe that going through a journey of steady progress is the only way to success irrespective of the changes in market or environment.

DIVIDENDS AND SHARE REPURCHASES:

The Board recommended the payment of a final dividend of US1.19 cents per share for the year of 2016, which is approximately US$148 million in total. Including the interim dividend of US$73.61 million, the total amount of dividends for the year of 2016 would be approximately US$222 million.

In 2016, to increase shareholders' value, the Company, by way of share repurchases funded by its free cash flow, repurchased 330 million shares of the Company in the open market at a total consideration of HK$1,635.2 million. When aggregating the 342 million shares repurchased in 2015, the total numbers of shares repurchased in the open market within these two years were 672 million shares, and at a total consideration of HK$3,889.8 million. The shares repurchased were subsequently cancelled. As a result, the number of issued shares of the Company as at 31 December 2016 decreased to 12,524 million with an earning per share of RMB27.7 cents, representing a growth of 7.3% as compared with that of 2015.

Since the listing of the Company in 2008, most of the Group's free cash flow had been returned to our shareholders by ways of dividends and share repurchases. By the end of 2016, the Group has returned a total of US$3,137.2 million (excluding the proposed final dividend for the year 2016) to our shareholders by these two means.

I believe that China's food industry landscape will see a structural reform in the coming two to three years. "Competition leads to progress" is what we have learnt from the history and I believe there will be plenty of golden opportunities amid all the difficulties and challenges, which are only for someone who is well-prepared in advance. I require all Want Want management to be accountable and responsible for their work, because we bear the dreams of all Want Want staff and the hope of over 50,000 families.

2017 is the year of Rooster, which gives us prosperity, passion and power to strive together for a better future for Want Want.

Tsai Eng-Meng
Chairman of the Board and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

According to the data released by the National Bureau of Statistics of China on 20 January 2017, China's gross domestic product ("GDP") grew by 6.7% in 2016 over that of 2015, showing an increasing pace of economic growth slow down and indicating the economy is still in a period of deep adjustment. With the increasingly collaborative sharing of technologies, information and resources around the world, consumer demand has become differentiated and personalized, and the operating environment faced by enterprises has become increasingly complex and volatile.

In response to this "new" China economic growth rate and the rapidly changing market environment, the Group continues to pursue product perfection from packaging to content. In addition, sales channels are further refined so that we could launch different marketing policies for different target customer groups, thus catering for the needs and preferences of individual consumers.

The key business strategies in 2016 are outlined below:

Multi-brand Strategy:

Consumers from different regions, with different ages and varied cousumption patterns have different preferences. Accordingly, the Group strengthened the operation of various brands, such as "Yappy", "Aiyo", "Baby Mum-Mum", "Natori", "Mr. Hot", etc., such that each brand has its target consumers and products. The multi-brand strategy not only satisfies a wider demand of our consumers, but also improves the utilization rate of our production capacity (by leveraging existing resources to produce products under these brands without incurring additional investment). The Group plans to source new distributors to develop new points of sales for products under these brands so as to enhance Want Want products' shelf presence and availability. In the second half of 2016, the Group launched 2 new dairy and beverage products, aiming at diversifying the portfolio of Want Want's dairy products and beverages and at satisfying our consumers with new and more diversified choices of products.

Differentiated Channel Operation:

In 2016, the Group differentiated its products sold among various channels. Some brands are channel specific, e.g. "Baby Mum-Mum" is exclusive for maternity channel, the "Mr. Hot" series is exclusive for e-commerce channel; even for star products like "Hot-Kid milk", we also strived for differentiation in packaging and specifications among various channels. This measure has effectively prevented possible conflicts among channels.

In 2016, the Group achieved breakthroughs in re-evaluating our modern channel. Taking into account of the buying habits of consumers in modern channel, the Group introduced the "Hot-Kid milk" pack suitable for family consumption. It not only helped to offer a more complete range of packing specifications of "Hot-Kid milk", but also resulted in a high single-digit revenue growth of dairy products and beverages in modern channel. At the same time, the Group also attached importance to the operation of new emerging channels such as e-commerce channel, maternity channel, etc.

In 2016, it actively used newly developed live streaming to interact with consumers and attempted to collaborate with owners/licensors of well-known intellectual property rights in product design and marketing. In addition, consumer activities were continuously carried out on social platforms such as WeChat and Weibo through the Hot-Kid Club (its number of fans has reached around 10 million so far) in order to let the Want Want's brands and products reach the main younger generation consumers effectively, as well as vitalizing the brands. Sales through e-commerce and maternity channels, in aggregate posted a double-digit growth in value term in 2016 over that of 2015.

Centralized and Simplified Marketing Policy:

In 2016, building on the initiatives taken in 2015, the Group continued to streamline the distributor policy by simplifying the key performance indicators and concentrated on certain selected key indicators for implementation in order to maintain distributors' loyalty to the Group amid the weak market conditions. We also continued to look for qualified distributor partners willing for collaboration, and provided them with certain marketing resources and support so that Want Want's products could be delivered and displayed on the shelves at the points of sales more expediently. Meanwhile, we have also paid great attention to the inventory management of our distributors to ensure that the stock age of our products would remain highly competitive in the channels and at the points of sales and consumers could always enjoy the fine taste of Want Want products.

The Group achieved a total revenue of RMB19,710.1 million in 2016, representing a decrease of 7.9% as compared with that of 2015. In terms of the revenue attributable to the three key product segments, rice crackers and snack foods segments, in aggregate, accounted for 52.5% of the Group's revenue whilst that from the dairy products and beverages segment accounted for 47.2%. Benefiting from the fall in the costs of key raw materials such as whole milk powder and packaging materials, and energy cost, the Group's gross profit margin for 2016 reached 47.8%, representing an increase of 3.9 percentage points over that of the year 2015. The Group's distribution costs and administrative expenses for 2016 decreased by 4.4% over the year 2015, due mainly to a decrease in the labour costs of sales force as a result of the adjustment to the organization structure. Benefiting from the increase in gross profit margin and good control over costs, the Group's operating profit for 2016 was up 5.8% to RMB4,811.2 million as compared with that of 2015, with the operating profit margin increased by 3.1 percentage points to 24.4%.

The Group's income tax rate for 2016 was 28.2%, representing a decrease of 1.4 percentage points as compared with that of 2015. In the long term, income tax rate of the Group is expected to be between 27% and 28%. As a result, the profit attributable to equity holders of the Company for 2016 was RMB3,519.2 million, representing an increase of 4.0% over that of the year 2015.

In 2017, the Group will continue its multi-brand strategy and the diversification of dairy products and beverages. In the meantime, we will further extend the distribution network under our "Delivering Want Want Products to Villages Project". We plan to invest additional manpower and resources at the points of sales for our "key products" so as to strengthen the services of Want Want's brands at the points of sales.

As for the products with growth potential, after integrating the product with its marketing policy, we will develop new customers in each regional market such that Want Want products can penetrate further into the points of sales. Lastly, for the modern channel, we will invest additional in-store promoters in order to enhance our product visibility and promote sales of Want Want products. In addition, through the engagement of in-store promoters and adoption of a more flexible marketing strategy, it is hoped that the market share of Want Want products in the modern channels would be further increased.

REVENUE

The Group achieved a total revenue of RMB19,710.1 million in 2016, representing a decrease of 7.9% as compared with that of 2015. The revenue of rice crackers in 2016 increased by 4.6% to RMB5,449.4 million as compared with that of 2015; the revenue of dairy products and beverages decreased by 13.4% year-on-year; the revenue of snack foods decreased by 8.6% over the year 2015 due mainly to the impact of the weather on the sales of popsicles.

As for the Group's total revenue in the first and second halves of the year, the 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 first half of 2015, and the total revenue for the second half of 2016 was RMB10,000.6 million, representing a decrease of 2.4% as compared with that of the second half of 2015. The better performance in the second half of the year was attributable mainly to the following reasons: the sales of rice crackers benefited by the longer period of sales leading to the Chinese New Year; the sales of dairy products had gradually stabilized; and the increase in sales of new products which contributed to more than 3% of the total revenue in the second half of 2016.

Rice crackers

The revenue of rice crackers grew 4.6% year-on-year to RMB5,449.4 million in 2016 with a high single-digit growth in the second half of 2016 as compared with that of the second half of 2015. Revenue of rice crackers in modern channels achieved a double-digit growth in 2016 over that of 2015. The lively display methods for "Ge Ge Want" ("格格旺") and "Want Want Paradise" strengthened the display of products at the points of sales and drove the sale momentum during the normal and festive days, thus bringing the festive benefits to the fullest; and the "corner seal packaging" series products launched for the modern channel matched the buying habits of consumers, hence effectively stimulated the sales growth of the modern channel.

In 2017, we will continue the strategy of product customization which will bring more choices and buying opportunities to our consumers and further intensify our distribution channels. Services at points of sales will remain as our key marketing focus. Furthermore, building on the 2016 foundation, the number of special display at points of sales will continue to increase.

Dairy products and beverages

The revenue of dairy products and beverages reached RMB9,298.0 million in 2016, representing a decrease of 13.4% over that of 2015. The revenue of "Hot-Kid milk", which accounted for approximately 90% in the revenue of dairy products and beverages, was RMB8,477.9 million, representing a decrease of 12.0% as compared with that of 2015. However, the decrease of the revenue of "Hot-Kid milk" in the second half of 2016 narrowed to a mid-single digit as compared with that of the second half of 2015. Further, the sales of "Hot-Kid milk" in modern channels recorded a high single-digit growth year on year in 2016.

In 2016, as the consumer demand shifted to new emerging product sub-categories such as room-temperature yogurt, the overall revenue of children's flavoured milk in China declined. Though "Hot-Kid milk" still had the largest market share in this sub-category, its performance was adversely affected by such shift in consumer preference. In the second half of the year, the Group continued to intensify the product display and strengthen the communication and interaction with consumers. Meanwhile, the "Hot-Kid room-temperature yogurt" targeting at the children was launched in the third quarter. Although the pilot promotion was only held in certain regions through certain traditional channels, good response was received from the market. In addition, based on the study of the buying habits of consumers, the modern channel introduced new product specifications which are suitable for the periodic purchase by families. Together with proper marketing strategy, the prolonged dilemma of "Hot-Kid milk" being surrounded by the price promotions of competitive products in modern channels was effectively resolved and "Hot-Kid milk" recorded a high single-digit growth.

In 2017, the Group will increase the coverage of points of sales, invest more resources in services and review its effectiveness against productivity so as to enhance the products' presence and availability on shelves. "Hot-Kid room-temperature yogurt" is planned to be launched in all channels and all regions. At the same time, the Group plans to launch another new product, "Premium high protein Hot-Kid milk", in the beginning of 2017 to meet the consumers' new demand nowadays while effectively complementing our dairy products and beverages. As for modern channels, building on the 2016 marketing strategy, the Group will strengthen the implementation of product customization for all channels. Although the proportion of sales of "Hot-Kid milk" in modern channels is relatively small compared with that at the Group's overall level, with our renowned brand, together with proper sales strategy and the employment of in-store promoters, it would become a key driver for future revenue growth.

Snack foods

The revenue of snack foods decreased by 8.6% from RMB5,374.6 million in 2015 to RMB4,914.1 million in 2016.

The adverse weather conditions in the summer of 2016 significantly reduced the demand for popsicles, thus the revenue of popsicles in 2016 saw a mid-teen decline compared with that of 2015. The ball cakes with high gross profit margin was affected by counterfeit products selling at low prices, so it suffered a double-digit decline in the first half of the year. With the introduction of anticonterfeiting campaign, the sales of ball cakes stabilized gradually in the second half of 2016. The promotion of brands such as

"Aiyo", "Yappy" and "Natori" effectively enriched our snack foods category and boosted our sales in the second half of the year.

The snack foods segment covers the most product types and stock-keeping units (SKU) of the Group, and most of the products are consumers' favorite in their respective sub-category over the years. According to the ranking of 2017 Global Top 100 Candy Company released by the China Candy Magazine, the Group holds the leading position in the Chinese mainland confectionery market and ranked 9th globally. In the future, upholding the spirit of "constantly improving", the Group will continue to enhance and upgrade the packaging and tastes of existing products such as ball cakes, popsicles and gummy so as to maintain the novelty of our products and the buying desire of consumers. In the meantime, we will review the competitiveness of our products and continue to innovate, and continuously enhance consumers' satisfaction towards Want Want products in every aspect.

COST OF SALES

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 2016, the cost of the key raw materials such as whole milk powder decreased by approximately 33% as compared with that of 2015. As a result of the decrease in the cost of raw materials and the decrease in revenue, cost of sales decreased from RMB12,002.6 million in 2015 to RMB10,286.0 million in 2016, representing a decrease of 14.3%.

As the production of rice crackers and snack foods is more labour intensive, the Group continued to promote the implementation of automated production for high-volume products in recent years, the results of which has been apparent, and will continue to do so in the future. The Group has also started to make the overall planning modification on the factory and production line layout, and introduced the philosophy of "Flexible Production and Intelligent Manufacturing" to realize the Group's multi-brand and channel differentiation strategies. The quality management strategy is extended to the whole supply chain so that sources of our products can be traced to provide a solid assurance on our product quality.

GROSS PROFIT

Benefiting from the significant decrease in the cost of key raw materials, the Group's gross profit margin reached 47.8% in 2016, representing an increase of 3.9 percentage points as compared with that of 2015, and its gross profit increased by 0.4% from 2015 to RMB9,424.2 million.

Starting from the fourth quarter of 2016, there has been a rising trend in the costs of certain raw materials and packaging materials. However, the management through various measures such as the optimization of the product mix and the improvement of production efficiency maintained the gross profit margin at a relatively high level in the second half of the year. The management will continue to uphold the "High Margins, Great Success" management philosophy of the Company to ensure a certain level of profitability for the Group's products.

Rice Crackers

The gross profit margin of rice crackers increased by 0.6 percentage point from 42.4% in 2015 to 43.0% in 2016. The gross profit margin of the core-brand rice crackers increased by 1.5 percentage points year-on-year as a result of the decrease in related costs of utilities and certain raw materials. As a result of the constant optimization of the product mix, the gross profit margin of gift packs also recorded an apparent increase. Besides, the results of the optimization of worker allocation in production lines and automation were apparent.

Dairy products and beverages

The gross profit margin of dairy products and beverages was 50.7% in 2016, representing an increase of 6.6 percentage points as compared with that of 2015, due mainly to a decrease of approximately 33% in the cost of milk powder as compared with that of 2015. In addition, the Group did not adopt the price promotion strategy that is commonly adopted in a weak market environment.

Based on the latest purchase price of milk powder, the gross profit margin of dairy products and beverages is expected to be revised following the fluctuations in the cost of milk powder. However, as “Hot-Kid milk” is still the market leader in the children’s flavoured milk sub-category, and our subsequent introduction of new products in this segment with a certain level of gross profit margin, it is expected that our dairy products and beverages would be able to maintain a promising profitability.

Snack foods

The gross profit margin of snack foods was 48.0% in 2016, representing an increase of 1.7 percentage points from 46.3% in 2015, due mainly to the decrease in key raw material prices and the optimization of the product structure.

Our snack foods segment possesses a number of distinctive products with high market share such as popsicles (碎冰冰), ball cakes and QQ gummy. In addition to the original brand of “Want Want”, newly expanded brands such as “Aiyo” and “Natori” also demonstrated good market competitive strength. Such multi-product and multi-brand operation is also favourable for diversifying the risks associated with operational uncertainties and maintaining a stable profitability.

DISTRIBUTION COSTS

The distribution costs decreased by 11.9% from RMB3,109.2 million in 2015 to RMB2,739.7 million in 2016. Distribution costs as a percentage of revenue decreased by 0.6 percentage point to 13.9% as compared with that of 2015, due mainly to the revision of sales strategy previously which led to a substantial decrease in the cost of sales staff. The Group’s transportation expenses as a percentage of revenue increased by 0.2 percentage point to 4.1% as compared with that of 2015. The advertising and promotion expenses decreased by 13.6% to RMB664.2 million as compared with that of 2015 and, as a percentage of revenue, decreasing by 0.2 percentage point to 3.4% as compared with that of 2015.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by 5.8% from RMB2,257.6 million in 2015 to RMB2,389.0 million in 2016. Administrative expenses as a percentage of revenue increased by 1.5 percentage points to 12.1% in 2016. The increase was due primarily to the gradual increase in labour cost in China. The Group will continue to exercise stringent control over its expenses to enhance the operating cost efficiency.

OPERATING PROFIT

The Group's operating profit increased from RMB4,548.1 million in 2015 to RMB4,811.2 million in 2016, representing an increase of 5.8%. Benefiting from the increase in gross profit margin and good control over operating expenses, operating profit margin achieved 24.4%, representing an increase of 3.1 percentage points over that of 2015.

INCOME TAX EXPENSE

The Group's income tax expense decreased from RMB1,417.7 million in 2015 to RMB1,378.5 million in 2016 while the income tax rate decreased by 1.4 percentage points from 29.6% in 2015 to 28.2% in 2016.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased by 4.0% from RMB3,382.5 million in 2015 to RMB3,519.2 million in 2016. The margin of profit attributable to equity holders of the Company increased from 15.8% in 2015 to 17.9% in 2016, representing an increase of 2.1 percentage points.

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 31 December 2016, our bank balances and deposits amounted to RMB11,557.4 million (31 December 2015: RMB9,372.6 million) (of which RMB accounted for 90% at approximately RMB10,370.0 million, and US dollars accounted for 9%, equivalent to approximately RMB1,010.0 million), representing an increase of RMB2,184.8 million, due mainly to an increase in the amount of borrowings and decrease in the amount of capital expenditure.

As at 31 December 2016, our total borrowings amounted to RMB9,903.5 million (31 December 2015: RMB8,156.8 million), representing an increase of RMB1,746.8 million as compared with that as at 31 December 2015. The long-term borrowings, including the senior notes ("Notes") issued, amounted to RMB5,890.5 million (31 December 2015: RMB6,484.0 million), representing a decrease of RMB593.5 million as compared with that as at 31 December 2015. The short-term borrowings amounted to RMB4,013.1 million (31 December 2015: RMB1,672.8 million), representing an increase of RMB2,340.3 million as compared with that as at 31 December 2015. The borrowings comprised US dollar denominated borrowings of RMB5,890.5 million equivalent and RMB denominated borrowings of

RMB3,982.4 million. The proportion of RMB denominated borrowings over total borrowings increased from 17.8% as at 31 December 2015 to 40.2%.

Taking advantage of the low interest rate environment and to lock in the medium to 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 31 December 2016, the Notes payable amounted to US$599.1 million (31 December 2015: US$598.5 million).

We were in a net cash position (cash and cash equivalents less total borrowings) of RMB1,653.8 million as at 31 December 2016 (31 December 2015: RMB1,215.8 million), representing an increase of RMB438.0 million as compared with that as at 31 December 2015.

Our net gearing ratio (total borrowings net of cash and cash equivalents as a percentage of total equity (excluding non-controlling interests)) as at 31 December 2016 was -0.13 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 2016, our cash and cash equivalents increased by RMB2,184.8 million. RMB5,107.8 million was generated from our operating activities, representing an increase of RMB161.2 million as compared with that in 2015. Net cash outflow for financing activities was RMB1,642.9 million, which was used mainly for repurchasing shares of RMB1,433.1 million, paying dividends of RMB1,538.3 million. The net borrowings inflow was RMB1,326.2 million. The net cash outflow for investment activities was RMB1,294.8 million.

Capital expenditure

For 2017, our capital expenditure is estimated to be approximately RMB700 million, which will be used mainly for completing the outstanding construction work of the factory buildings, purchasing machinery and equipment, improving facilities for information technology, and increasing the investment in automated warehouse and storage equipment.

In 2016, our total capital expenditure amounted to RMB447.5 million (2015: RMB1,387.9 million). We spent approximately RMB51.2 million, RMB234.8 million and RMB74.0 million for expansion of factory buildings and facilities including plant and equipment and upgrade of some of the old plant and production facilities for rice crackers, dairy products and beverages and snack foods, respectively, so as to prepare for the further growth of our Group. The remaining capital expenditure was made mainly for the purpose of adding facilities for information technology, packaging, etc.

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

Inventory analysis

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

The following table sets forth the number of our inventory turnover days for the years ended 31 December 2016 and 31 December 2015:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Inventory turnover days	**94**	105

The decrease in inventory turnover days was mainly attributable to the decrease in the unit purchasing cost of milk powder and the long-term control over the operational efficiency of supply chain. The inventory balance as at 31 December 2016 amounted to RMB2,452.6 million (2015: RMB2,886.4 million).

Trade receivables

Our trade receivables represent the receivables from our customers. The terms of credit granted to our customers are usually 60 to 90 days. Our sales to most of the customers in the PRC are conducted on a cash-on-delivery basis. We only grant credit to customers in our modern 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 years ended 31 December 2016 and 31 December 2015:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Trade receivables turnover days	**20**	14

The increase in trade receivables turnover days was mainly attributable to the increase in 2016 festive sales as a result of a longer sales period in 2016 leading to the 2017 Chinese New Year, which led to the corresponding increase in trade receivables. In addition, some customers formed their own financial shared service centers, such that the number of trade receivables turnover days was lengthened in the short term.

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 years ended 31 December 2016 and 31 December 2015:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Trade payables turnover days	**45**	36

The establishment of the Group's financial shared service center improved the efficiency of the use of funds.

Pledge of assets

As at 31 December 2016, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

Our average number of employees was approximately 47,115 in 2016. Our total remuneration expenses in 2016 amounted to RMB3,610.9 million, representing a decrease of 1.7% over the year 2015. 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 long been investing significant resources in the continuing education and training programs of our employees. Training programs, both external and internal, are also provided to relevant staff as and when required to constantly improve their professional knowledge and skills.

FOREIGN EXCHANGE RISK

Our Company's functional currency is US dollar. However, as more than 90% of activities of the Group 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 recognised assets and liabilities.

As procurement of raw materials and equipment from overseas and US dollar denominated borrowings of the Group are mainly recognised in the financial statements of the subsidiaries of the Group which 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. As such, the depreciation of RMB does not have a significant negative impact on exchange gains and losses presented on the consolidated income statement within "other gains – net". During the year, the Group has not hedged against its foreign exchange risk.

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 Audit Committee has reviewed with management and our Group's external auditor the accounting principles and practices adopted by our Group and discussed internal control and financial reporting matters for the year ended 31 December 2016. The Audit Committee has also reviewed the annual results for the year ended 31 December 2016.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures contained in the preliminary announcement of our Group's results for the year 2016 have been agreed by our Group's external auditor, PricewaterhouseCoopers, to the figures set out in our Group's consolidated financial statements for the year ended 31 December 2016. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagements, or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Company had, throughout the year ended 31 December 2016, complied with the code provisions set out in the Corporate Governance Code (the "CG Code") 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 over 40 years of experience in the food and beverages industry. Given the current stage of development of our Group, the Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. We shall nevertheless review the structure from time to time in light of the prevailing circumstances.

Code provision A.4.1

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

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 6 May 2016 due to other important engagement at that time. The rest of the Board members, including the Chairman of all the Board committees (or in their absence, other members of the respective committees) and the external auditor were available at such annual general meeting to answer shareholders' questions.

We will periodically review and improve our corporate governance practices with reference to the latest developments in corporate governance.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

Our 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 year ended 31 December 2016.

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

During the year ended 31 December 2016, the Company repurchased a total of 330,051,000 shares on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange") for an aggregate amount (excluding expenses) of HK$1,635,187,031 and such repurchased shares were cancelled. Particulars of the shares repurchased on the HK Stock Exchange during the year 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
July 2016	41,391,000	5.15	5.02	210,223,119
October 2016	17,121,000	4.82	4.72	81,506,546
November 2016	75,770,000	4.92	4.56	360,840,150
December 2016	73,786,000	5.07	4.77	360,059,788
	330,051,000			1,635,187,031

Subsequent to the balance sheet date of 31 December 2016 and up to the date of this announcement, the Company repurchased a total of 9,851,000 shares on the HK Stock Exchange for an aggregate amount (excluding expenses) of HK$49,458,061. Such repurchased shares were subsequently cancelled. The number of issued shares of the Company as at the date of this announcement is 12,514,124,135 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$)*
January 2017	8,435,000	5.00	4.89	41,860,090
February 2017	1,416,000	5.39	5.36	7,597,971
	9,851,000			49,458,061

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

Saved 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 year ended 31 December 2016 and up to the date of this announcement.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of our Company (the "AGM") be held on 12 May 2017. The notice of the AGM will be published on our Company's website and sent to the shareholders of our Company in due course.

In order to qualify to attend and vote at the AGM, 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 4:30pm on 9 May 2017, for the purpose of effecting the share transfers. The register of members of the Company will be closed from 10 May 2017 to 12 May 2017 (both dates inclusive).

PROPOSED FINAL DIVIDEND AND BOOK CLOSURE FOR ENTITLEMENT OF THE PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of US1.19 cents per ordinary share of the Company in respect of the year ended 31 December 2016. Subject to the approval of shareholders at the AGM, the final dividend will be paid on or about 2 June 2017. Shareholders registered under the principal register of members in the Cayman Islands will automatically receive their dividends in US dollars while shareholders registered under the Hong Kong branch register of members will automatically receive their dividends in Hong Kong dollars. The Hong Kong dollars final dividend will be calculated with reference to the exchange rate of US dollars against Hong Kong dollars on 12 May 2017, being the date of the AGM on which the final dividend will be proposed to the shareholders of the Company for approval.

In order to qualify for the entitlement to the above mentioned final 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 17 May 2017, for the purpose of effecting the share transfers. The register of members of the Company will be closed from 18 May 2017 to 19 May 2017 (both dates inclusive).

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

Hong Kong, 14 March 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.