



WANT WANT CHINA HOLDINGS LIMITED

中國旺旺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0151)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2008

FINANCIAL HIGHLIGHTS OF CORE OPERATIONS

	Six months ended June 30,		
	2008 (Unaudited)	2007 (Unaudited)	Change (%)
Key income statement items			
<i>(Expressed in US\$'000 unless otherwise stated)</i>			
Sales	709,436	500,237	41.8%
Gross profit	263,982	195,073	35.3%
Operating profit	149,753	95,246	57.2%
EBITDA ¹	175,860	119,031	47.7%
Profit attributable to equity holders of the Company	128,983	83,793	53.9%
Key financial ratios (%)			
Gross profit margin	37.2%	39.0%	
Operating profit margin	21.1%	19.0%	
Margin of profit attributable to equity holders	18.2%	16.8%	
Effective tax rate	13.4%	10.7%	
Return on equity	16.2%	13.7%	

¹ EBITDA refers to earnings before interest, tax, depreciation and amortization.

- Turnover of the Core Operations increased by 41.8% to US\$709.4 million.
- Profit from Core Operations attributable to equity holders of the Company increased by 53.9% to US\$129.0 million.
- Margin of profit from Core Operations attributable to equity holders increased from 16.8% to 18.2%.

The board (the “Board”) of directors (the “Directors”) of Want Want China Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2008 together with the comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended June 30, 2008

		Unaudited	
		Six months ended June 30,	
	Note	2008 US\$'000	2007 US\$'000
Continuing Core Operations:			
Sales	4	709,436	500,237
Cost of sales		(445,454)	(305,164)
Gross profit		263,982	195,073
Other gains – net	5	21,311	4,695
Other income	6	6,893	9,349
Selling and distribution expenses		(83,656)	(62,305)
Administrative expenses		(58,777)	(51,566)
Operating profit	7	149,753	95,246
Finance income		2,411	657
Finance costs		(3,353)	(2,114)
Share of results of associated companies		275	(182)
Profit before income tax		149,086	93,607
Income tax expense	8	(19,932)	(10,036)
Profit from Core Operations		129,154	83,571
Discontinued Non-core Operations:			
Loss from Discontinued Non-core Operations	11	–	(10,027)
Profit for the period		129,154	73,544
Attributable to:			
Equity holders of the Company		128,983	75,344
Minority interests		171	(1,800)
		129,154	73,544
Earnings per share for profit from Core Operations attributable to the equity holders of the Company			
– basic	9	US0.99 cents	US0.65 cents
– diluted	9	US0.99 cents	US0.65 cents
Loss per share for loss from Discontinued Non-core Operations attributable to the equity holders of the Company			
– basic	9	–	(US0.06 cents)
– diluted	9	–	(US0.06 cents)
Dividends	10	–	–

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2008

		June 30, 2008 Unaudited US\$'000	December 31, 2007 Audited US\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		521,320	450,828
Leasehold land and land use rights		44,497	39,425
Investment properties		3,332	3,128
Intangible assets		1,454	1,463
Associated companies		1,499	1,158
Deferred income tax assets		676	692
Available-for-sale financial assets		652	652
Total non-current assets		573,430	497,346
Current assets			
Inventories		254,600	204,243
Properties under development for sale		–	23,373
Non-current assets held for sale		6,894	6,244
Trade receivables	12	48,783	67,232
Prepayments, deposits and other receivables		95,860	65,826
Financial assets at fair value through profit or loss		11,934	680
Cash and cash equivalents		347,570	270,466
Total current assets		765,641	638,064
Total assets		1,339,071	1,135,410
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		264,343	257,103
Other reserves		(162,237)	(231,925)
Retained earnings		794,791	665,808
		896,897	690,986
Minority interests in equity		4,340	4,533
Total equity		901,237	695,519
LIABILITIES			
Non-current liabilities			
Borrowings		155,000	168,000
Total non-current liabilities		155,000	168,000
Current liabilities			
Trade payables	13	107,596	79,033
Accruals and other payables		143,712	166,328
Current income tax liabilities		9,277	11,251
Borrowings		22,249	15,279
Total current liabilities		282,834	271,891
Total liabilities		437,834	439,891
Total equity and liabilities		1,339,071	1,135,410
Net current assets		482,807	366,173
Total assets less current liabilities		1,056,237	863,519

1. GENERAL INFORMATION OF THE GROUP AND REORGANISATION

(a) General information of the Group

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 “Core Operations”). The Group’s activities are primarily conducted in the People’s Republic of China (the “PRC”), Taiwan and Singapore, and its products are also sold to Hong Kong, South-East Asia countries, the United States and Europe.

The Company was incorporated in the Cayman Islands on October 3, 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 completed its global initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on March 26, 2008 (the “Listing”).

This condensed consolidated interim financial information is presented in units of United States dollars(US\$), unless otherwise stated and was approved for issue by the Board of Directors on August 26, 2008.

(b) Reorganisation and Discontinued Non-core Operations

Prior to the incorporation of the Company and the completion of the reorganisation steps as described below, (collectively the “Reorganisation”), the Group’s business was carried out by Want Want Holdings Ltd. (“WWHL”) and its subsidiaries (collectively the “WWHL Group”). The WWHL Group included the companies now comprising the Group engaging in the Core Operations, and other companies principally engaged in other businesses including the operation of hospital, hotel, property businesses and other investments that were not related to the Core Operations (the “Discontinued Non-core Operations”). WWHL was previously listed on the Singapore Exchange Securities Trading Limited, and was delisted on September 11, 2007 pursuant to a privatisation.

As part of a group reorganisation, the Company acquired 99.87% equity interests in the WWHL Group from the then shareholders of WWHL by way of share swap and became the holding company of the WWHL Group in October 2007. In preparation for the Listing, further reorganisation was carried out to divest the companies engaged in the Discontinued Non-core Operations to the shareholders of the Company and the 0.13% minority shareholders of WWHL by way of distribution of dividend in specie. The divestment was completed on December 31, 2007.

Subsequent to the completion of the Reorganisation, the Group has only been engaged in the Core Operations since January 1, 2008.

The Reorganisation involved companies under common control. Accordingly, the 2007 comparative financial information included in this condensed consolidated interim financial information for the six months ended June 30, 2007 of the Group has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and present the combined results and cashflows of the companies of the Group engaging in Core Operations as well as the Discontinued Non-core Operations as if the group structure had been in existence throughout the six months ended June 30, 2007 or since the respective dates of incorporation or establishment or acquisition, whichever was the shorter period, or up to the dates of winding up, liquidation or disposal. The financial information of the companies in the Discontinued Non-core Operations has been included in the financial information for the six months ended June 30, 2007 as they formed an integral part of the business of the Group prior to the divestment.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended June 30, 2008 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 December 31, 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those for the annual financial statements for the year ended December 31, 2007, as described in the annual financial statements.

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning January 1, 2008.

Relevant to the Group:

- HK(IFRIC) – Int 11, HKFRS 2 – Group and treasury share transactions
- HK(IFRIC) – Int 14, HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

Not relevant to the Group:

- HK(IFRIC) – Int 12, Service concession arrangements

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning January 1, 2008 and have not been early adopted:

- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after January 1, 2009. Management is assessing the impact under the revised disclosure requirements of this standard.
- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after January 1, 2009. It is not expected to have a material impact on the Group's accounts as the Group has already chosen the allowed alternative treatment to capitalise borrowing cost attributable to qualifying assets under the original HKAS 23.
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after January 1, 2009. This is not relevant to the Group's operations.
- HKFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after January 1, 2009. The Group will apply HKFRS 2 Amendment from January 1, 2009, but it is not expected to have a material impact on the Group's financial statements.

- HKFRS 3 (amendment), ‘Business combinations’ and consequential amendments to HKAS 27, ‘Consolidated and separate financial statements’, HKAS 28, ‘Investments in associates’ and HKAS 31, ‘Interests in joint ventures’, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associated companies of the Group.
- HKFRS 8, ‘Operating segments’, effective for annual periods beginning on or after January 1, 2009. HKFRS 8 replaces HKAS 14, ‘Segment reporting’, and requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Management is assessing the impact of the new requirements and it is not expected to have a material impact on the Group’s financial statements as the present operating segments have been identified on the basis of internal reports reviewed by the decision maker.
- HK(IFRIC) – Int 13, ‘Customer loyalty programmes’, effective for annual periods beginning on or after July 1, 2008. The Group is assessing the impact of this accounting standard and it is not expected to have a material impact on the Group’s financial statements.

4. SEGMENTAL INFORMATION

The Group’s operations are mainly organized under the following business segments:

Core Operations:

Manufacturing and sale of:

- Rice crackers, including sugar coated crackers, savoury crackers and fried crackers;
- Dairy products and beverages, including flavoured milk, yogurt drinks, ready-to-drink coffee, carbonated drinks, herbal tea and milk powder;
- Snack foods, including candies, popsicles and jellies, ball cakes and beans and nuts; and
- Other products, including mainly wine and other food products.

Discontinued Non-core Operations:

Hotel operations, property operations, hospital service and others comprising the operation of fast food stores and bakery.

In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the primary and only reporting format, as over 90% of the Groups sales and business activities are conducted in the PRC.

The segment results for the six months ended June 30, 2008 and 2007 are as follows:

Six months ended June 30, 2008						
	Rice crackers <i>US\$'000</i>	Dairy products and beverages <i>US\$'000</i>	Snack foods <i>US\$'000</i>	Other products <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Group <i>US\$'000</i>
Segment results						
Core Operations:						
Sales	<u>227,085</u>	<u>243,782</u>	<u>232,884</u>	<u>5,685</u>	<u>–</u>	<u>709,436</u>
Segment profit/(loss)	39,245	47,475	66,349	(1,074)	(2,242)	149,753
Finance cost, net						(942)
Share of results of associated companies						275
Profit before income tax						149,086
Income tax expense						(19,932)
Profit for the period						<u>129,154</u>
Six months ended June 30, 2007						
	Rice crackers <i>US\$'000</i>	Dairy products and beverages <i>US\$'000</i>	Snack foods <i>US\$'000</i>	Other products <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Group <i>US\$'000</i>
Segment results						
Core Operations:						
Sales	<u>147,793</u>	<u>176,238</u>	<u>172,727</u>	<u>3,479</u>	<u>–</u>	<u>500,237</u>
Segment profit/(loss)	20,743	42,464	39,821	(1,327)	(6,455)	95,246
Finance cost, net						(1,457)
Share of results of associated companies						(182)
Profit before income tax						93,607
Income tax expense						(10,036)
Profit for the period from Core Operations						83,571
Discontinued Non-core Operations:						
Loss for the period from Discontinued Non-core Operations						(10,027)
Profit for the period						<u>73,544</u>

Other segment terms included in the income statement are as follows:

Six months ended June 30, 2008						
	Rice crackers <i>US\$'000</i>	Dairy products and beverages <i>US\$'000</i>	Snack foods <i>US\$'000</i>	Other products <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Group <i>US\$'000</i>
Depreciation of property, plant and equipment	7,512	8,662	8,293	322	506	25,295
Amortisation of leasehold land and land use rights	198	242	239	5	15	699
Depreciation of investment properties	—	—	—	8	—	8
Amortisation of intangible assets	—	—	—	—	105	105
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Six months ended June 30, 2007						
	Rice crackers <i>US\$'000</i>	Dairy products and beverages <i>US\$'000</i>	Snack foods <i>US\$'000</i>	Other products <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Group <i>US\$'000</i>
Depreciation of property, plant and equipment	6,845	8,025	7,915	280	4,257	27,322
Amortisation of leasehold land and land use rights	168	229	218	4	494	1,113
Depreciation of investment properties	—	—	—	8	—	8
Amortisation of intangible assets	—	—	—	—	93	93
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The segment assets and liabilities as at June 30, 2008 and capital expenditure for the six months then ended are as follows:

	Rice crackers US\$'000	Dairy products and beverages US\$'000	Snack foods US\$'000	Other products US\$'000	Unallocated US\$'000	Group US\$'000
Segment assets and liabilities						
Segment assets of Core Operations	396,555	396,851	409,695	106,774	27,697	1,337,572
Associated companies						1,499
						<u>1,339,071</u>
Assets of Core Operations and total assets of the Group						<u>1,339,071</u>
Segment liabilities of Core Operations and total liabilities of the Group	110,421	64,928	53,189	23,607	185,689	437,834
Capital expenditure	<u>6,367</u>	<u>23,729</u>	<u>17,713</u>	<u>11,900</u>	<u>—</u>	<u>59,709</u>

The segment assets and liabilities as at December 31, 2007 and capital expenditure for the six months ended June 30, 2007 are as follows:

	Rice crackers US\$'000	Dairy products and beverages US\$'000	Snack foods US\$'000	Other products US\$'000	Unallocated US\$'000	Group US\$'000
Segment assets and liabilities						
Segment assets of Core Operations	368,160	305,150	337,395	100,071	23,476	1,134,252
Associated companies						1,158
						<u>1,135,410</u>
Assets of Core Operations and total assets of the Group						<u>1,135,410</u>
Segment liabilities of Core Operations and total liabilities of the Group	109,079	63,943	50,197	18,789	197,883	439,891
Capital expenditure	<u>14,697</u>	<u>16,330</u>	<u>13,609</u>	<u>48,480</u>	<u>—</u>	<u>93,116</u>

The capital expenditure of other products for the six months ended June 30, 2007 included capital expenditures for both Core Operations and Discontinued Non-core Operations.

5. OTHER GAINS - NET

	Six months ended June 30,	
	2008	2007
	US\$'000	US\$'000
Core Operations		
Net foreign exchange gains	17,544	4,574
Loss on disposal of property, plant and equipment and leasehold land and land use rights, net	(357)	(547)
Gain on disposal of properties under development for sale	5,636	—
Donation expenses	(2,413)	(410)
Others	901	1,078
	21,311	4,695

6. OTHER INCOME

	Six months ended June 30,	
	2008	2007
	US\$'000	US\$'000
Core Operations		
Government grants	3,397	6,223
Sale of scraps	3,179	1,918
Rental income	53	61
Interest income from Discontinued Non-core Operations	—	1,101
Others	264	46
	6,893	9,349

The government grants represented subsidy income received from various government organisations as rewards to certain subsidiaries of the Group in the PRC.

7. OPERATING PROFIT

Operating profit is stated after charging the following expenses:

	Six months ended June 30,	
	2008	2007
	US\$'000	US\$'000
Core Operations		
Depreciation of property, plant and equipment	25,295	23,065
Amortisation of leasehold land and land use rights	699	619
Depreciation of investment properties	8	8
Amortisation of intangible assets	105	93

8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2008	2007
	US\$'000	US\$'000
Core Operations		
Current income tax		
– Mainland China	18,734	9,626
– Taiwan	1,198	409
– Hong Kong and overseas	–	1
	19,932	10,036

Effective from January 1, 2008, the Company's subsidiaries incorporated in the PRC shall determine and pay the Enterprise Income Tax (the "EIT") in accordance with the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") as approved by the National People's Congress on March 16, 2007 and the Detailed Implementations Regulations of the Corporate Income Tax Law (the "DIR") as approved by the State Council on December 6, 2007. According to the new CIT Law and DIR, the income tax rates for both domestic and foreign investment enterprises would be unified at 25% effective from January 1, 2008. For enterprises which were established before the publication of the new CIT Law and were entitled to preferential treatments of reduced CIT tax rate granted by relevant tax authorities, the new CIT rate will be gradually increased from the preferential rate to 25% within 5 years after the effective date of the new CIT Law on January 1, 2008. For the regions that enjoy a reduced CIT rate at 15%, the tax rate would gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to the grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

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

Enterprises incorporated in Taiwan, Hong Kong and other places (including mainly Singapore, Japan and British Virgin Islands) are subject to income tax at the prevailing rates of 25%, 16.5% and 0% to 30% (2007: 25%, 17.5% and 0% to 30%) respectively.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The Company was incorporated on October 3, 2007. The weighted average number of ordinary shares deemed to be in issue during the six months ended June 30, 2007 is determined on the assumption that 1,285,514,075 shares issued upon the incorporation of the Company in connection with the Reorganisation had been in issue since January 1, 2007 and the subdivision of number of shares by a multiple of 10 had been effected on January 1, 2007.

	Six months ended June 30,	
	2008	2007
Profit from Core Operations attributable to equity holders of the Company (<i>US\$'000</i>)	128,983	83,793
Weighted average number of ordinary shares in issue (<i>thousands</i>)	13,048,430	12,855,141
Basic earnings per share for Core Operations	<u>US0.99 cents</u>	<u>US0.65 cents</u>
Loss from Discontinued Non-core Operations attributable to equity holders of the Company (<i>US\$'000</i>)	–	(8,449)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	–	12,855,141
Basic loss per share for Discontinued Non-core Operations	<u>–</u>	<u>(US0.06 cents)</u>
Basic earnings per share for Core Operations and Discontinued Non-core Operations	<u>US0.99 cents</u>	<u>US0.59 cents</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised share options.

	Six months ended June 30,	
	2008	2007
Profit from Core Operations attributable to equity holders of the Company (US\$ '000)	128,983	83,793
Weighted average number of ordinary shares in issue (thousands)	13,048,430	12,855,141
Adjustments for share options (thousands)	1,264	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	13,049,694	12,855,141
Diluted earnings per share for Core Operations	US0.99 cents	US0.65 cents
Loss from Discontinued Non-core Operations attributable to equity holders of the Company (US\$ '000)	—	(8,449)
Weighted average number of ordinary shares in issue (thousands)	—	12,855,141
Adjustments for share options (thousands)	—	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	—	12,855,141
Diluted loss per share for Discontinued Non-core Operations	—	(US0.06 cents)
Diluted earnings per share for Core Operations and Discontinued Non-core Operations	US0.99 cents	US0.59 cents

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2008 (2007: Nil).

The final dividend in respect of the year ended December 31, 2007 amounting to US\$120,184,000 was paid in June 2008.

11. DISCONTINUED NON-CORE OPERATIONS

As mentioned in Note 1 above, in preparation for the Listing, the Company divested its interests in companies involved in the Discontinued Non-core Operations including hospital, hotel and property businesses and other investments to the Company's shareholders and minority shareholders of WWHL. The divestment was completed on December 31, 2007.

The operating results of the Discontinued Non-core Operations during the six months ended June 30, 2007 are set out as follows:

	Six months ended June 30, 2007
	<u>US\$'000</u>
Sales	5,734
Cost of sales	<u>(4,225)</u>
Gross profit	1,509
Other loss, net	(47)
Selling and distribution expenses	(3,539)
Administrative expenses	<u>(6,208)</u>
Operating loss	(8,285)
Finance income	147
Finance costs	<u>(3,936)</u>
Finance costs-net	<u>(3,789)</u>
Loss before income tax	(12,074)
Income tax expense	<u>2,047</u>
Loss for the period	<u><u>(10,027)</u></u>
Attributable to:	
Equity holders of the Company	(8,449)
Minority interests	<u>(1,578)</u>
	<u><u>(10,027)</u></u>

Following the completion of the divestment, neither the Company nor any of its subsidiaries retained any interests in the Discontinued Non-core Operations.

12. TRADE RECEIVABLES

	June 30, 2008 US\$'000	December 31, 2007 US\$'000
Trade receivables		
– from third parties	48,488	66,921
– from related parties	1,289	1,220
	<u>49,777</u>	<u>68,141</u>
Less: provision for impairment	(994)	(909)
	<u>48,783</u>	<u>67,232</u>

Most of the Group's sales are on cash on delivery basis whereas those made through modern sales channel are normally on credit terms of 60 days.

At June 30, 2008 and December 31, 2007, the ageing analysis of the trade receivables were as follows:

	June 30, 2008 US\$'000	December 31, 2007 US\$'000
Trade receivables, gross		
– within 60 days	43,413	63,038
– 61-180 days	6,137	4,961
– 181-365 days	139	77
– Over 365 days	88	65
	<u>49,777</u>	<u>68,141</u>

13. TRADE PAYABLES

The ageing analysis of the trade payables as at June 30, 2008 and December 31, 2007 were as follows:

	June 30, 2008 US\$'000	December 31, 2007 US\$'000
Within 60 days	101,488	75,793
61 to 180 days	5,333	2,586
181 to 365 days	400	275
Over 365 days	375	379
	<u>107,596</u>	<u>79,033</u>

14. CONTINGENCIES

The Group did not have contingent liabilities as at June 30, 2008. As at December 31, 2007, WWHL provided guarantees amounting to US\$45,100,000 for the bank borrowings of Hunan Want Want Hospital Co., Ltd., a company of the Discontinued Non-core Operations. The guarantees had been subsequently released in March 2008.

MANAGEMENT DISCUSSION & ANALYSIS

BASIS OF PRESENTATION

As at December 31, 2007, we had completed the divestment of interests in the subsidiaries engaged in the Discontinued Non-core Operations. Starting from January 1, 2008, the Group has been engaged only in the Core Operations, accordingly, the results of operations of the Discontinued Non-core Operations have not been reflected in the consolidated financial statements of the Group.

SUMMARY

According to the preliminary information of the National Statistics Bureau, the gross domestic products (GDP) in China in the first half of 2008 grew by 10.4% over the same period in the previous year. The per capita annual disposable income in urban areas increased by 14.4% over the previous year, representing a real growth of 6.3% after discounting the inflation factor, slightly lower than the growth recorded for the corresponding period last year. Nevertheless, the Group could still attain remarkable sales of US\$709.4 million for the first half of 2008 (the “current period”), representing an increase of 41.8% over the same period last year, of which sales of rice crackers, dairy products and beverages and snack foods accounted for 32.0%, 34.4% and 32.8% respectively. Profit attributable to equity holders increased by 53.9% to US\$129.0 million.

Sales

Our total sales increased by 41.8% from US\$500.2 million in first half of 2007 to US\$709.4 million in the same period of 2008. All product segments recorded higher sales with rice crackers achieving the most significant growth of 53.7% over the corresponding period of the previous year.

Rice crackers

Sales of rice crackers increased by 53.7% from US\$147.8 million in the first half of 2007 to US\$227.1 million in the same period of 2008. Our core brand “Want Want” accounted for 72.7% (first half of 2007: 68.4%) in sales mix and recorded an increase of 63.0% in sales as compared with that of last year. The sales growth was primarily attributable to an increase in sales volume and a slight increase in average selling price. On the other hand, contribution of sub-brand rice crackers in sales mix declined to 12.7% in the first half of 2008 from 16.4% in the first half of 2007. Our core brand, which has a higher gross profit margin will continue to be our focus in our rice cracker segment. Gift packs recorded an increase of 48.1% in sales from US\$22.5 million in the first half of 2007 to US\$33.3 million in the first half of 2008, mainly contributed by a 24.6% increase in sales volume and an 18.9% increase in average selling price.

Dairy products and beverages

Sales of dairy products and beverages grew by 38.3% from US\$176.2 million in the first half of 2007 to US\$243.8 million in the current period, of which sales volume of 125ml tetra-pak Hot-Kid milk

increased by 34.5% over the corresponding period of the previous year. A 47.2% increase in sales volume of “O bubble” yoghurt drinks coupled with an increase in the average selling price of canned Hot-Kid milk had a positive impact on the sales of dairy products and beverages.

Snack foods

Sales of snack foods increased by 34.8% from US\$172.7 million in the first half of 2007 to US\$232.9 million in the first half of 2008, of which candies, ball cakes, popsicles and jellies recorded sales growth of 34.5%, 35.8% and 37.2% respectively. The increase was primarily attributable to the continued sales growth of existing products and the launch of new flavors and packaging.

COST OF SALES

Cost of sales increased by 46.0% from US\$305.2 million in the first half of 2007 to US\$445.5 million in that of 2008 as a result of an increase in sales and higher costs of certain raw materials. Although the price of milk powder and palm oil rose in current period, the price of rice was relatively stable and the price of sugar decreased slightly. We will continue to monitor the price movements of commodities and address them with appropriate measures accordingly.

GROSS PROFIT

Gross profit increased by 35.3% from US\$195.1 million in the first half of 2007 to US\$264.0 million in that of 2008 due to higher sales. Gross profit margin decreased by 1.8 percentage points from 39.0% in the first half of 2007 to 37.2% in the current period due to the cost pressure of some raw materials.

Rice crackers

Gross profit margin of rice crackers was 35.7% for the current period, driven by a shift in sales mix towards higher margin products comprising core brand “Want Want” rice crackers and gift packs and by an increase in average selling price.

Dairy products and beverages

Dairy products and beverages recorded a decrease in gross profit margin by 5.4 percentage points to 32.5% in the first half of 2008. Due to an increase in the price of key raw material milk powder, production costs for dairy products and beverages were higher resulting in lower gross profit margin.

Snack foods

Snack foods enjoyed the highest gross profit margin among the three categories with an increase of 0.4 percentage point to 44.4% in the first half of 2008. Overall gross profit margin increased slightly mainly due to decreases in prices of raw materials such as sugar and gelatin, and the changes in product mix.

SELLING AND DISTRIBUTION EXPENSES

Our selling expenses increased by 34.3% from US\$62.3 million in the first half of 2007 to US\$83.7 million in the current period. Number of sales offices increased from 303 as at June 30, 2007 to 325 as at June 30, 2008 and sales staff increased from 6,780 as at June 30, 2007 to 11,435 as at June 30, 2008, mainly due to the policy of broadening distribution channels, which resulted in a significant increase in personnel costs of the sales force and relevant business costs.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by 14.0% from US\$51.6 million in the first half of 2007 to US\$58.8 million in the current period as affected by higher inflationary pressure in Mainland China and a slight increase in the number of management staff. The increase in expenses was primarily resulted from an increase in salaries and benefits for management and administrative staff. Administrative expenses as a proportion of income mix of the Group decreased by 2.0 percentage points to 8.3%.

OPERATING PROFIT

Our operating profit increased by 57.2% from US\$95.2 million in the first half of 2007 to US\$149.8 million in the first half of 2008, and our operating profit margin increased from 19.0% to 21.1% for the corresponding period.

INCOME TAX EXPENSES

Our income tax expenses increased by 98.6% from US\$10.0 million in the first half of 2007 to US\$19.9 million in the current period, primarily as a result of an increase in profit before tax and a rise in effective tax rate by 2.7 percentage points to 13.4% in the first half of 2008.

PROFIT ATTRIBUTABLE TO OUR EQUITY HOLDERS

As a result of the above, the profit attributable to our equity holders increased by 53.9% from US\$83.8 million in the first half of 2007 to US\$129.0 million in the first half of 2008. The profit margin attributable to our equity holders increased from 16.8% in the first half of 2007 to 18.2% in the first half of 2008.

PROSPECTS

The economy of Mainland China continues its rapid growth. Further rise in the living standards of the Chinese people and the increase of per capita annual disposable income in urban areas help in keeping a healthy development trend of the food industry in Mainland China. We are optimistic about the prospect of the industry in the second half year of 2008. It is our target to be the premium market leader in every consumer segment for all our products via our multi-brand strategy.

In view of the escalating costs in Mainland China, we will continue to broaden our sales channels, in order to deeply penetrate into every sales network, and develop higher margin products supported by strict costs and expenses control.

To exploit the vast development potential of the future food market in Mainland China, we are mapping our plan to position ourselves in grasping the opportunities. The Listing of our Company on the main board of the Stock Exchange of Hong Kong Limited on March 26, 2008 enables us to tap into the international capital market and also broadens our base of high quality shareholders and increases our brand recognition globally.

In short, we will strive to maintain our competitive strength and determination so as to maximize our shareholders' value.

LIQUIDITY AND CAPITAL RESOURCES

Cash and bank borrowings

We generally finance our operations and capital expenditure by internally generated cash flows as well as banking facilities provided by our principal bankers.

As at June 30, 2008, our bank balances and deposits amounted to US\$347.6 million (2007: US\$270.5 million) representing an increase of 28.5%. Over 90.7% of our cash was denominated in Renminbi.

Our total borrowings as at June 30, 2008 decreased slightly by 3.3% to US\$177.2 million (2007: US\$183.3 million). Over 87.4% of our borrowings are repayable between 2 to 5 years. Over 98.9% of our borrowings are denominated in US Dollars.

We are in a net cash position of US\$170.4 million. The gearing ratio decreased to 19.8% from 26.5% in 2007. We maintain sufficient cash and available banking facilities for our working capital requirement and to capitalize on potential investment opportunities in future.

Cashflow

During the first half of 2008, our net cash increased by US\$77.1 million. US\$92.6 million and US\$8.8 million were generated from our operations and financing activities respectively, while US\$36.3 million was spent on investing activities. Net cash outflows from investing activities was mainly related to the expansion of production facilities and the purchase of land use rights and property, plant and equipment.

Capital expenditure

For the year 2008, we have budgeted US\$180.9 million for capital expenditure, of which approximately 71.0% is for capital expenditure to increase production capacity.

During the first half of 2008, our total capital expenditure amounted to US\$59.7 million (first half of 2007: US\$46.3 million). We spent approximately US\$6.4 million, US\$23.7 million and US\$17.7 million on the additional factory buildings and facilities for rice crackers, dairy products and beverages and snack foods respectively. The balance thereof was spent on capital expenditure on packaging facilities, sales offices etc.

The above capital expenditure was financed by the net proceeds from the global offering and internal cashflow of the Company.

Inventory analysis

Our inventory primarily consists of finished goods, goods in transit, 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 inventory turnover days for the first half of 2008 and 2007:

	As at June 30, 2008	As at December 31, 2007
Inventory turnover days	<u>93</u>	<u>104</u>

Inventory turnover days decreased in 2008 as a result of our enhanced inventory management. In addition, we have been building our own production facilities for milk powder and packaging, which reduced the need to purchase in bulk and increased the purchase of raw materials locally.

Trade receivables

Our trade receivables represent the receivables from our customers. The terms of credit granted to our customers are usually 60 days. Most of our sales are on cash on delivery basis. We only grant credit to customers in our modern sales channel, which then on-sell our products to consumers.

The following table sets forth the number of trade receivables turnover days for the first half of 2008 and 2007:

	As at June 30, 2008	As at December 31, 2007
Trade receivables turnover days	<u>15</u>	<u>20</u>

Trade payables

Our trade payables mainly relate to the purchase of equipment and raw materials from our suppliers with credit terms generally of 180 days for equipment and between 30 days and 60 days for raw materials after receipt of goods and invoices.

The following table sets forth the number of trade payables turnover days for the first half of the 2008 and 2007:

	As at June 30, 2008	As at December 31, 2007
Trade payables turnover days	<u>38</u>	<u>47</u>

Pledge of assets

As at June 30, 2008, we did not have any pledge of assets.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As of June 30, 2008, we had approximately 38,900 employees and paid US\$82.5 million in total remuneration during the current period. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and sales-based rewards. Some Directors and senior management staff were granted share options under our Pre-IPO share option scheme. An employee share option scheme has also been put in place for the Company to incentivise employees, and to encourage them to work towards enhancing the value of the Company and promote the long-term growth of the Company.

We invest in continuing education and training programs for our employees to upgrade their skills and knowledge constantly. External training programs as well as internal training courses are also provided to the relevant staff on a regular basis.

SUBSEQUENT EVENTS

No significant event took place subsequent to June 30, 2008.

AUDIT COMMITTEE

The Audit Committee was established on February 18, 2008 in compliance with the requirements of the Code on Corporate Governance Practices (the “Code”), as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Details of the duties and responsibilities of the Audit Committee are set out in its terms of reference.

From the date of listing to the date of this announcement, the Audit Committee met three times to review and oversee the Group's financial reporting system, risk management and to evaluate internal controls and auditing processes.

The interim results of the Group for the Period are unaudited, but have been reviewed by the audit committee and PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

During the period under review, the Company repurchased a total of 35,537,000 shares on the Stock Exchange of Hong Kong Limited at an aggregate consideration (excluding expenses) of HK\$104,609,310. All the repurchased shares were subsequently cancelled. Details of the repurchases are as follows:-

Month of repurchases	Total number of ordinary shares repurchased	Lowest price paid per share (HK\$)	Highest price paid per share (HK\$)	Aggregate consideration paid (excluding expenses) (HK\$)
April 2008	35,331,000	2.85	2.97	103,991,310
June 2008	206,000	3.00	3.00	618,000
Total	<u>35,537,000</u>			<u>104,609,310</u>

The repurchases were made for the benefit of the equity holders to enhance the earnings per share of the Group.

Save as disclosed above, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the shares of the Company during the six months ended June 30, 2008.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

We have 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. We have made specific enquiries to each director of the Company and all the directors have confirmed that they have been complying with the Model Code from the date of the Listing up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code from the date of the Listing up to the date of this announcement, except for the deviation from provisions A.2.1 and A.4.1 of the Code.

Code A.2.1

Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separated 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 Officer. Mr. Tsai is the founder of the Group and has over 30 years of experience in the food and beverage 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 Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

Code A.4.1

Under the Code provision A.4.1, non-executive directors should be appointed for a specific terms, subject to re-election. The current non-executive directors and independent non-executive directors of the Company do not have specific terms of appointment which deviates from this provision, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association. 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 the provision of the Code.

The Company, together with its subsidiaries are committed to maintain and uphold best corporate governance practices and procedures. We recognize the value and importance of achieving high corporate governance standards to promote corporate transparency and accountability and to enhance shareholders' value.

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

Hong Kong, August 26, 2008

As at the date of this announcement, the executive Directors are Mr. TSAI Eng-Meng, Mr. LIAO Ching-Tsun, Mr. CHU Chi-Wen and Mr. TSAI Shao-Chung, the non-executive Directors are Mr. MAKI Haruo, Mr. TOMITA Mamoru, Mr. LIN Feng-I and Mr. CHENG Wen-Hsien, and the independent non-executive Directors are Mr. TOH David Ka Hock, Mr. PEI Kerwei, Mr. CHIEN Wen-Guey and Mr. LEE Kwang-Chou.