WANT WANT CHINA HOLDINGS LIMITED

中國旺旺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0151)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2012	2011	
	Unaudited	*Unaudited*	Change
Key income statement items	***US$'000***	*US$'000*	*%*
Revenue	**1,527,514**	1,279,454	+19.4
Gross profit	**566,324**	421,920	+34.2
Operating profit	**297,816**	203,595	+46.3
EBITDA [1]	**340,116**	239,122	+42.2
Profit attributable to equity holders of the Company	**230,880**	167,018	+38.2
Key financial ratios	*%*	*%*	*% point*
Gross profit margin	**37.1**	33.0	+4.1
Operating profit margin	**19.5**	15.9	+3.6
Margin of profit attributable to equity holders of the Company	**15.1**	13.1	+2.0

[1] EBITDA refers to earnings before interest, income tax, depreciation and amortisation.

- Revenue of the Group increased by 19.4% to US$1,527.5 million.
- Owing to effective cost improvement initiatives, fall in prices of certain key raw materials and increase in average selling prices, the gross profit margin of the Group increased by 4.1 percentage points to 37.1%.
- Profit attributable to equity holders of the Company increased by 38.2% to US$230.9 million.
- An interim dividend of US0.90 cents per share was declared.

The board (the "Board") of directors (the "Directors") of Want Want China Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

		Unaudited Six months ended 30 June	
		2012	2011
	Note	***US$'000***	*US$'000*
Revenue	4	**1,527,514**	1,279,454
Cost of sales		**(961,190)**	(857,534)
Gross profit		**566,324**	421,920
Other losses – net	5	**(848)**	(1,290)
Other income	6	**24,521**	31,889
Distribution costs		**(169,094)**	(148,945)
Administrative expenses		**(123,087)**	(99,979)
Operating profit		**297,816**	203,595
Finance income		**26,868**	9,330
Finance costs		**(7,079)**	(3,853)
Share of (loss)/profit of associates		**(27)**	24
Profit before income tax		**317,578**	209,096
Income tax expense	7	**(86,561)**	(42,039)
Profit for the period		**231,017**	167,057
Profit attributable to:			
– Equity holders of the Company		**230,880**	167,018
– Non-controlling interests		**137**	39
		231,017	167,057
Earnings per share for profit attributable to equity holders of the Company			
– Basic earnings per share	8	**US1.75 cents**	US1.26 cents
– Diluted earnings per share	8	**US1.75 cents**	US1.26 cents
Dividends	9	**119,050**	79,319

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
Profit for the period	**231,017**	167,057
Other comprehensive income		
Change in value of available-for-sale financial assets	**731**	923
Currency translation differences	**(8,651)**	39,671
Other comprehensive (loss)/income for the period	**(7,920)**	40,594
Total comprehensive income for the period	**223,097**	207,651
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**222,988**	207,574
– Non-controlling interests	**109**	77
	223,097	207,651

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	**Unaudited 30 June 2012** ***US$'000***	Audited 31 December 2011 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**937,084**	890,952
Leasehold land and land use rights		**119,300**	116,035
Investment properties		**3,077**	3,048
Intangible assets		**1,062**	1,088
Investments in associates		**4,633**	3,044
Deferred income tax assets		**812**	779
Available-for-sale financial assets		**5,630**	5,229
Total non-current assets		**1,071,598**	1,020,175
Current assets			
Inventories		**410,835**	410,220
Trade receivables	10	**80,508**	159,960
Prepayments, deposits and other receivables		**126,718**	95,789
Financial assets at fair value through profit or loss		**322**	318
Cash and cash equivalents		**1,550,566**	1,437,037
Total current assets		**2,168,949**	2,103,324
Total assets		**3,240,547**	3,123,499

	Note	Unaudited 30 June 2012 US$'000	Audited 31 December 2011 US$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**264,555**	264,396
Other reserves		**1,111,207**	1,065,351
		1,375,762	1,329,747
Non-controlling interests		**8,060**	2,806
Total equity		**1,383,822**	1,332,553
LIABILITIES			
Non-current liabilities			
Borrowings		**500,000**	250,000
Deferred income tax liabilities		**21,237**	14,561
Other non-current liabilities		**10,200**	9,470
Total non-current liabilities		**531,437**	274,031
Current liabilities			
Trade payables	11	**151,555**	211,301
Accruals and other payables		**357,917**	480,652
Current income tax liabilities		**29,827**	50,340
Borrowings		**785,989**	774,622
Total current liabilities		**1,325,288**	1,516,915
Total liabilities		**1,856,725**	1,790,946
Total equity and liabilities		**3,240,547**	3,123,499
Net current assets		**843,661**	586,409
Total assets less current liabilities		**1,915,259**	1,606,584

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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"), Taiwan, Singapore and Hong Kong, and its products are also sold to the countries in South-East Asia, the United States 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 its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited since 26 March 2008.

This condensed consolidated interim financial information is presented in United States dollars (US$), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 29 August 2012.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012.

- Amendment to HKAS 12 'Income taxes' is effective for annual periods beginning on or after 1 January 2012. It requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes − recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is withdrawn. It is not expected to have any significant impact on the Group's financial statement.

- HKFRS 7 (Amendment) 'Disclosures – Transfers of financial assets' is effective for annual periods beginning on or after 1 July 2011. This amendment promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. It is not expected to have any significant impact on the Group's financial statement.

- HKFRS 1 (Amendment) 'Severe hyperinflation and removal of fixed dates for first-time adopters' is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to HKFRS 1, 'First-time adoption of HKFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to HKFRSs', thus eliminating the need for entities adopting HKFRSs for the first time to restate derecognition transactions that occurred before the date of transition to HKFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation. It is not expected to have any significant impact on the Group's financial statement.

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

- HKAS 1 (Amendment) 'Presentation of financial statements', effective for annual periods beginning on or after 1 July 2012.

- HKFRS 10 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013.

- HKAS 27 (revised in 2011) 'Separate financial statements', effective for annual periods beginning on or after 1 January 2013.

- HKFRS 11 'Joint arrangements', effective for annual periods beginning on or after 1 January 2013.

- HKAS 28 (revised in 2011) 'Associates and joint ventures', effective for annual periods beginning on or after 1 January 2013.

- HKFRS 12 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013.

- HKAS 19 (Amendment) 'Employee benefits', effective for annual periods beginning on or after 1 January 2013.

- HKFRS 7 (Amendment) 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2013.

- HKAS 32 (Amendment) 'Financial instruments: Presentation – Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2014.

- HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2015.

- HKFRS 7 and HKFRS 9 (Amendments) 'Mandatory effective date and transition disclosures', effective for annual periods beginning on or after 1 January 2015.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. Segment information

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on their reports.

The Board considers the business from a product perspective. Management assesses the performance of rice crackers, dairy products and beverages, snack foods and other products. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit or loss.

The Group's operations are mainly organized under four business segments, including manufacturing and sale of:

– Rice crackers, including sugar coated crackers, savoury crackers and fried crackers;

– Dairy products and beverages, including flavoured milk, yogurt drinks, ready-to-drink coffee, juice drinks, 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.

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

The Board assesses the performance of the business segments based on profit before income tax without allocation of finance income/(costs) and share of losses of associates, which is consistent with that in the financial statements.

The segment information for the six months ended 30 June 2012 is as follows:

	Six months ended 30 June 2012					
	Rice crackers	**Dairy products and beverages**	**Snack foods**	**Other products**	**Unallocated**	**Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Segment results						
Revenue	**277,230**	**796,191**	**450,331**	**3,762**	**–**	**1,527,514**
Segment profit/(loss)	**34,438**	**187,742**	**101,930**	**(431)**	**(25,863)**	**297,816**
Finance income-net						**19,789**
Share of losses of associates						**(27)**
Profit before income tax						**317,578**
Income tax expense						**(86,561)**
Profit for the period						**231,017**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**10,937**	**15,707**	**11,642**	**393**	**2,259**	**40,938**
Amortisation of leasehold land and land use rights	**243**	**503**	**466**	**45**	**11**	**1,268**
Depreciation of investment properties	**–**	**–**	**–**	**8**	**–**	**8**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**86**	**86**
Capital expenditure	**26,611**	**37,233**	**21,625**	**13,338**	**1,005**	**99,812**

The segment assets and liabilities as at 30 June 2012 are as follows:

	30 June 2012					
	Rice crackers	**Dairy products and beverages**	**Snack foods**	**Other products**	**Unallocated**	**Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Segment assets and liabilities						
Segment assets	**806,126**	**1,405,509**	**855,368**	**125,794**	**43,117**	**3,235,914**
Investments in associates						**4,633**
Total assets of the Group						**3,240,547**
Total liabilities of the Group	**197,931**	**216,297**	**126,387**	**17,172**	**1,298,938**	**1,856,725**

The segment information for the six months ended 30 June 2011 is as follows:

	Six months ended 30 June 2011					
	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 results						
Revenue	278,578	623,381	369,325	8,170	–	1,279,454
Segment profit/(loss)	35,891	126,726	62,924	(470)	(21,476)	203,595
Finance income – net						5,477
Share of post-tax profits of associates						24
Profit before income tax						209,096
Income tax expense						(42,039)
Profit for the period						167,057
Other segment items included in the income statement						
Depreciation of property, plant and equipment	8,858	13,562	9,879	387	2,042	34,728
Amortisation of leasehold land and land use rights	168	219	259	48	15	709
Depreciation of investment properties	–	–	–	9	–	9
Amortisation of intangible assets	–	–	–	–	81	81
Capital expenditure	5,044	59,766	27,242	16,261	2,059	110,372

The segment assets and liabilities as at 31 December 2011 are as follows:

	31 December 2011					
	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	864,929	1,319,871	777,767	111,076	46,812	3,120,455
Investments in associates						3,044
Total assets of the Group						3,123,499
Total liabilities of the Group	290,634	280,822	169,271	18,940	1,031,279	1,790,946

5. Other losses – net

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
Net foreign exchange losses	**(1,102)**	(91)
Losses on disposal of property, plant and equipment, net	**(452)**	(809)
Donation expenses	**(253)**	(1,205)
Fair value gains on the financial assets at fair value through profit or loss	**197**	2
Losses on disposal of available-for-sale financial assets	**(230)**	–
Others	**992**	813
Total	**(848)**	(1,290)

6. Other income

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
Government grants	**18,469**	26,469
Sale of scraps	**5,782**	5,036
Rental income	**53**	55
Others	**217**	329
Total	**24,521**	31,889

7. Income tax expense

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
Current income tax		
– Mainland China	**78,091**	36,034
– Taiwan	**491**	830
– Hong Kong and overseas	**3**	65
	78,585	36,929
Deferred income tax	**7,976**	5,110
Total	**86,561**	42,039

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

8. Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (US$'000)	**230,880**	167,018
Weighted average number of ordinary shares in issue (thousands)	**13,223,338**	13,215,339
Basic earnings per share	**US1.75 cents**	US1.26 cents

(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 30 June	
	2012	2011
Profit attributable to equity holders of the Company (US$'000)	**230,880**	167,018
Weighted average number of ordinary shares in issue (thousands)	**13,223,338**	13,215,339
Adjustments for share options (thousands)	**3,429**	5,464
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**13,226,767**	13,220,803
Diluted earnings per share	**US1.75 cents**	US1.26 cents

9. Dividends

Final dividend of US$179,897,000 for the year ended 31 December 2011 was paid in May 2012.

An interim dividend of US0.90 cents per share (2011: US0.60 cents) was declared by the Board on 29 August 2012. It is payable on or about 10 October 2012 to shareholders who are on the register of members of the Company on 19 September 2012. This interim dividend, amounting to US$119,050,000 (2011: US$79,319,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2012.

10. Trade receivables

	30 June 2012 *US$'000*	31 December 2011 *US$'000*
Trade receivables		
– from third parties	**81,316**	161,060
– from related parties	**1,456**	1,240
	82,772	162,300
Less: provision for impairment	**(2,264)**	(2,340)
Trade receivables, net	**80,508**	159,960

Most of the Group's sales are on cash-on-delivery basis whereas those made through modern channels are normally on credit terms ranging from 60 to 90 days (2011: 60 to 90 days).

As at 30 June 2012 and 31 December 2011, the ageing analysis of trade receivables, before provision for impairment, is as follows:

	30 June 2012 *US$'000*	31 December 2011 *US$'000*
Within 60 days	**61,742**	153,959
61-90 days	**9,611**	5,490
91-180 days	**9,371**	1,580
181-365 days	**783**	362
Over 365 days	**1,265**	909
Total	**82,772**	162,300

11. Trade payables

As at 30 June 2012 and 31 December 2011, the ageing analysis of the trade payables is as follows:

	30 June 2012 *US$'000*	31 December 2011 *US$'000*
Within 60 days	**124,943**	199,485
61 to 180 days	**19,936**	8,930
181 to 365 days	**4,563**	886
Over 365 days	**2,113**	2,000
Total	**151,555**	211,301

MANAGEMENT DISCUSSION & ANALYSIS

SUMMARY

During the first half of 2012, affected by the weakening global economic growth and the worsening of the European sovereign debt crisis, economic growth in China slowed down moderately. Gross domestic product in the first half of 2012 grew by 7.8% while total retail sales of consumer goods and the per capita disposable income of the urban population increased by 14.4% and 13.3% respectively as compared with those of the same period in the previous year. Notwithstanding the economic slowdown, total revenue of our Group for the first half of 2012 grew to US$1,527.5 million, representing an increase of 19.4% as compared with the corresponding period in the previous year. Our three key product segments, namely, rice crackers, dairy products and beverages and snack foods accounted for 18.1%, 52.1% and 29.5% of our total revenue respectively. Profit attributable to equity holders of the Company was US$230.9 million, representing an increase of 38.2% as compared with that of the corresponding period in the previous year.

REVENUE

Total revenue of our Group increased by 19.4% from US$1,279.5 million in the first half of 2011 to US$1,527.5 million in the first half of 2012. Revenue attributable to dairy products and beverages and snack foods increased by 27.7% and 21.9% respectively. Revenue attributable to rice crackers was substantially the same as that of the corresponding period last year due to the effect of Chinese Spring Festival which came 11 days earlier than that of the previous year and the strategic reduction in the production of sub-brand rice crackers.

Rice crackers

Revenue of rice crackers for the first half of 2012 amounted to US$277.2 million. As the Spring Festival in 2012 came 11 days earlier than that in the previous year, a larger portion of the sales of gift packs and "Want Want" rice crackers for this festive season occurred in 2011 and thus the corresponding revenue was recorded in 2011. Revenue of gift packs decreased from US$33.2 million in the first half of 2011 to US$22.5 million in the first half of 2012 while revenue of "Want Want" rice crackers increased by 10.7% to US$251.3 million in the first half in 2012. At the same time, due to increases in raw material prices and other costs, the Group intentionally and significantly reduced the sales of sub-brand rice crackers which have low profit margin, thus reducing the corresponding revenue by US$14.9 million as compared with that of the corresponding period in the previous year.

Dairy products and beverages

Revenue of dairy products and beverages grew by 27.7% from US$623.4 million in the first half of 2011 to US$796.2 million in the first half of 2012 which was driven mainly by the steady growth in the sales of "Hot-Kid milk" and the realisation of the associated price increase strategy. Revenue from "Hot-Kid milk" increased by 32.8% to US$709.6 million as compared with that of the corresponding period in the previous year. Meanwhile, revenue from other beverages which accounted for 6.4% of this revenue segment increased by 13.5% over the same period of the previous year.

Snack foods

Revenue of snack foods increased by 21.9% from US$369.3 million in the first half of 2011 to US$450.3 million in the first half of 2012 due primarily to the effective marketing strategy and well management of points of sales. Four sub-categories of snack foods reported a healthy growth with revenue of candies, popsicles and jellies, ball cakes and beans and others increased by 14.2%, 21.5%, 32.7% and 33.8% respectively as compared with the corresponding period last year.

COST OF SALES

Cost of sales increased from US$857.5 million in the first half of 2011 to US$961.2 million in the first half of 2012, which was in line with our revenue increase. The prices of certain key raw materials such as sugar, potato starch and palm oil fell by various scales. Our Group has always emphasized on quality as the foundation of an enterprise. In order to achieve continuous quality enhancement and cost control effectiveness, we have carried out nationwide Quality Control Circle (QCC) program in our factories since last year and have achieved positive preliminary results. The Group will further expand the QCC program to achieve optimization of production quality and efficiency.

GROSS PROFIT

Owing to effective cost improvement measures, fall in certain key raw material prices and the effect of product price increase last year, gross profit margin increased by 4.1 percentage points from 33.0% in the first half of 2011 to 37.1% in the first half of 2012. Gross profit increased by 34.2% from US$421.9 million in the first half of 2011 to US$566.3 million in the first half of 2012.

Rice crackers

Gross profit margin of rice crackers increased by 3.1 percentage points from 32.1% in the first half of 2011 to 35.2% in the first half of 2012, due mainly to the successful implementation of various improvement measures by the Group since last year and fall in raw material prices such as palm oil, sugar and plastic packing materials which offset labor cost increases. The management is devoted to the continuous enhancement of various improvement measures.

Dairy products and beverages

The gross profit margin of dairy products and beverages in the first half of 2012 increased by 2.6 percentage points to 36.4% as compared with that of the corresponding period last year. This was attributable mainly to the product price increases and product mix optimization measures which effectively improved the gross profit margin of dairy products and beverages.

Snack foods

The gross profit margin of snack foods increased by 6.8 percentage points from 32.8% in the first half of 2011 to 39.6 % in the first half of 2012. The significant increase in gross profit margin of snack foods was attributable mainly to the impacts of various improvement measures adopted by the management since the second half of last year and the decrease in prices of raw materials such as potato starch, sugar and plastic packing materials. The management will continue to take proactive and effective measures in response to market conditions.

DISTRIBUTION COSTS

Distribution costs increased by 13.5% from US$148.9 million in the first half of 2011 to US$169.1 million in the first half of 2012. However due to effective cost management by the Group, such distribution costs only accounted for 11.1% of revenue in the first half of 2012, down by 0.5 percentage point over the same period last year, of which advertising and promotion expenses amounted to US$41.9 million, representing 2.7% of revenue and 0.3 percentage point lower than that of the corresponding period in the previous year. Transportation costs to revenue ratio decreased by 0.3 percentage point to 3.9%.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from US$100.0 million in the first half of 2011 to US$123.1 million in the first half of 2012, due primarily to the increase in labor cost, urban maintenance and construction tax, education surcharge and research and development expenses. The overall administrative expenses to revenue ratio was 8.1%, representing an increase of 0.3 percentage point over the same period in the previous year.

OPERATING PROFIT

Due to the increase in gross profit margin and the effective management of distribution cost, operating profit increased by 46.3% from US$203.6 million in the first half of 2011 to US$297.8 million in the first half of 2012. Operating profit margin increased by 3.6 percentage points from 15.9% in the first half of 2011 to 19.5% in the first half of 2012.

INCOME TAX EXPENSE

Our income tax expense increased from US$42.0 million in the first half of 2011 to US$86.6 million in the first half of 2012, based on a tax rate of 27.3% which represented an increase of 7.2 percentage points over the tax rate of 20.1% for the same period in the previous year. The increase was attributable to the expiry of the tax preferential treatment of most of the Company's PRC subsidiaries and the increase in withholding tax provision on accrued dividend distributions from the Company's PRC subsidiaries.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased by 38.2% from US$167.0 million in the first half of 2011 to US$230.9 million in the first half of 2012. The margin of profit attributable to equity holders of the Company increased by 2.0 percentage points from 13.1% in the first half of 2011 to 15.1% in the first half of 2012.

OUTLOOK OF THE SECOND HALF OF 2012

To cope with market changes and to achieve long-term sustainable growth in the Group's operation, the Group will consolidate and build on the business results of the first half of the year and implement the following key initiatives in the second half of the year:

- **"Consolidation" initiatives**

  Externally, we will consolidate the effective control of the distribution channels by establishing long-term development initiatives with downstream distributors and consolidate long-term strategic partnership with upstream suppliers to ensure the quality of raw materials and further enhancing product quality. Internally, we will optimize the use of our human resources by continuously identifying and developing talents, fostering a culture of guardianship and joint responsibility to form a strong cohesive force and ensuring the Group's ability to capitalise on the talented individuals in achieving its business objectives.

- **Automated production investment**

  To cope with the increasing shortage of labor force and increasing labor cost in China, the Group will actively introduce and upgrade automated production equipment in the coming years in pursuit of a more stable production quality. The introduction of automated production equipment will effectively enhance the unit labor output efficiency and alleviate the pressure of increasing labor cost to a certain extent.

- **Points of sales refinement**

  Building on our initiatives in treating small and medium points of sales as key accounts and enhancing product visibility and brand presence in the consumer market through eye-catching display and high on-shelf availability, we will implement standardized display and differentiation management of Want Want products in different points of sales. Distributors will be encouraged to take the initiative of participating in shelve management to enhance the standardized display of various Want Want products at points of sales in order to enhance further the effectiveness of our marketing activities and the shelf-share of our products.

LIQUIDITY AND CAPITAL RESOURCES

Cash and borrowings

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

As at 30 June 2012, our bank balances and deposits amounted to US$1,550.6 million (31 December 2011: US$1,437.0 million), representing an increase of 7.9%. Over 96% of our cash was denominated in Renminbi.

Our total borrowings as at 30 June 2012 increased by US$261.4 million to US$1,286.0 million (31 December 2011: US$1,024.6 million). More than 99% of our borrowings were denominated in US Dollars.

We were in a net cash position (cash and cash equivalents less total borrowings) of US$264.6 million as at 30 June 2012 (31 December 2011: US$412.4 million). Cash and cash equivalents less total borrowings balance decreased by US$147.8 million as compared with that as at 31 December 2011, which was due mainly to the payment of the 2011 final dividend in the amount of US$179.9 million. Our net gearing ratio (total borrowings net of cash and cash equivalents divided by equity (excluding non-controlling interests)) as at 30 June 2012 was -19.2% (31 December 2011: -31.0%). We maintain sufficient cash and available banking facilities for our working capital requirements and for capitalizing on any potential investment opportunities in the future. The management will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

In the first half of 2012, our net cash increased by US$113.6 million. US$129.5 million was generated from our operating activities, US$89.8 million was generated from financing activities and US$100.6 million was spent on investment activities. Net cash outflows for investment were mainly related to the expansion of production facilities and the acquisition of property, plant and equipment.

Capital expenditure

The Group's capital expenditure for the year 2012 is expected to be around US$300 million, representing an increase of about 30% as compared with US$223.5 million of the previous year. This amount will be used mainly for the acquisition of factory land, construction of factories and acquisition of machinery and equipment and additional facilities for information technology, warehousing and storage. The above capital expenditure is sufficient to support the business growth of the Group.

During the first half of 2012, our total capital expenditure amounted to US$100 million (first half of 2011: US$110.4 million). We spent approximately US$26.6 million, US$37.2 million and US$21.6 million on additions to factory buildings and production facilities for rice crackers, dairy products and beverages and snack foods respectively so as to further enhance our production capacity. The remaining capital expenditure was expensed mainly on adding information technology and packaging facilities.

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

Inventory analysis

Our inventory consists primarily 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 our inventory turnover days for the six months ended 30 June 2012 and the year ended 31 December 2011:

	Six months ended 30 June 2012	Year ended 31 December 2011
Inventory turnover days	**77**	71

Trade receivables

Our trade receivables represent receivables from our customers. The terms of credit granted to our customers are usually 60 to 90 days. Most of our revenue in the PRC is generated on a cash-on-delivery basis. We only grant credit to customers in our modern 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 six months ended 30 June 2012 and the year ended 31 December 2011:

	Six months ended 30 June 2012	Year ended 31 December 2011
Trade receivables turnover days	**14**	16

Trade payables

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

The following table sets forth the number of our trade payables turnover days for the six months ended 30 June 2012 and the year ended 31 December 2011:

	Six months ended 30 June 2012	Year ended 31 December 2011
Trade payables turnover days	**34**	37

Pledge of assets

As at 30 June 2012, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 30 June 2012, we had approximately 46,750 employees and total remuneration expenses for the first half of 2012 was US$188.0 million. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), as well as revenue-based rewards. Some directors and senior management were granted share options under our pre-IPO share option scheme. The employee share option scheme has been put in place for the Company to incentivise employees, and to encourage them to work towards enhancing the value of our Company and promoting our long-term growth.

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

Foreign exchange risk

Our subsidiaries operate mainly in the PRC with RMB as their functional currency and most of the transactions are denominated in RMB. Foreign exchange risk arises from purchases from overseas and certain recognized assets and liabilities which are denominated in currencies other than the functional currency of the subsidiaries. The Group has not hedged its foreign exchange rate risk as the Group considers the exposure, after netting off the assets and liabilities subject to foreign exchange risk, is not significant.

AUDIT COMMITTEE

The Audit Committee was established on 18 February 2008 to review and oversee the Group's financial reporting, internal control and risk management systems.

The unaudited interim results of the Group for the six months ended 30 June 2012 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.

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange of Hong Kong Limited has made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has complied with the code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012 as well as the CG Code during the period from 1 April 2012 to 30 June 2012, except for the deviations from the code provisions A.2.1 and A.4.1. The reasons for these deviations are explained below.

Code A.2.1

Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Tsai Eng-Meng performs both the roles of chairman and chief executive officer. Mr. Tsai is the founder of the Group and has over 35 years of experience in the food and beverages industry. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Group with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies. The Group shall nevertheless review the structure from time to time in light of the prevailing circumstances.

Code A.4.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding directors' securities transactions. The Company has made specific enquiries to all Directors and all Directors have confirmed that they were in compliance with the Model Code during the six months ended 30 June 2012.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of US0.90 cents per ordinary share of the Company for the period ended 30 June 2012. The interim dividend is expected to be paid on or about 10 October 2012 to shareholders whose names appear on the register of members of the Company on 19 September 2012. The register of members of the Company will be closed from 17 September 2012 to 19 September 2012 (both dates inclusive). In order to qualify for entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on 14 September 2012.

Shareholders registered under the principal register of members in Cayman Islands will automatically receive their dividends in United States dollars while shareholders registered under the Hong Kong branch register of members will receive their dividends in Hong Kong dollars. The Hong Kong dollar interim dividend will be based on the exchange rate of United States dollars against Hong Kong dollars to be determined on 19 September 2012.

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

Hong Kong, 29 August 2012

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