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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 2014

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2014	2013	Change
Key income statement items	**US$'000**	US$'000	%
Revenue	**1,852,601**	1,754,451	+5.6
Gross profit	**747,219**	723,690	+3.3
Operating profit	**394,743**	397,281	-0.6
*Operating profit – excluding fire insurance claim income	**394,743**	*391,376	+0.9
EBITDA [1]	**454,823**	445,594	+2.1
*EBITDA [1] – excluding fire insurance claim income	**454,823**	*439,689	+3.4
Profit attributable to equity holders of the Company	**318,450**	307,610	+3.5
*Profit attributable to equity holders of the Company – excluding fire insurance claim income	**318,450**	*303,181	+5.0
Key financial ratios	**%**	%	% point
Gross profit margin	**40.3**	41.2	-0.9
Operating profit margin	**21.3**	22.6	-1.3
*Operating profit margin – excluding fire insurance claim income	**21.3**	*22.3	-1.0
Margin of profit attributable to equity holders of the Company	**17.2**	17.5	-0.3
*Margin of profit attributable to equity holders of the Company – excluding fire insurance claim income	**17.2**	*17.3	-0.1

[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 period.

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 2014 together with the comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June **2014** ***US$'000***	 2013 *US$'000*
Revenue	4	**1,852,601**	1,754,451
Cost of sales		**(1,105,382)**	(1,030,761)
Gross profit		**747,219**	723,690
Other (losses)/gains – net	5	**(1,805)**	8,141
Other income	6	**42,517**	33,397
Distribution costs		**(237,913)**	(219,472)
Administrative expenses		**(155,275)**	(148,475)
Operating profit		**394,743**	397,281
Finance income		**43,544**	28,928
Finance costs		**(12,086)**	(6,984)
Finance income – net		**31,458**	21,944
Share of (losses)/profits of associates		**(29)**	635
Profit before income tax		**426,172**	419,860
Income tax expense	7	**(108,192)**	(112,409)
Profit for the period		**317,980**	307,451
Profit attributable to:			
– Equity holders of the Company		**318,450**	307,610
– Non-controlling interests		**(470)**	(159)
		317,980	307,451
Earnings per share from profit attributable to equity holders of the Company			
Basic earnings per share	8	**US2.41 cents**	US2.33 cents
Diluted earnings per share	8	**US2.41 cents**	US2.33 cents
Dividends	9	**159,672**	160,007

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Profit for the period	**317,980**	307,451
Other comprehensive income		
Items that may be reclassified to profit or loss		
Change in value of available-for-sale financial assets	**(103)**	576
Currency translation differences	**(31,999)**	45,342
Total items that may be reclassified subsequently to profit or loss	**(32,102)**	45,918
Total comprehensive income for the period	**285,878**	353,369
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**286,408**	353,412
– Non-controlling interests	**(530)**	(43)
	285,878	353,369

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Note	**Unaudited 30 June 2014** *US$'000*	Audited 31 December 2013 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,296,176**	1,235,564
Leasehold land and land use rights		**187,140**	165,188
Investment properties		**6,332**	6,396
Intangible assets		**963**	1,017
Investments in associates		**9,384**	9,599
Deferred income tax assets		**16,041**	11,884
Available-for-sale financial assets		**7,677**	7,780
Total non-current assets		**1,523,713**	1,437,428
Current assets			
Inventories		**700,802**	534,025
Trade receivables	10	**93,431**	164,497
Prepayments, deposits and other receivables		**130,152**	152,327
Cash and cash equivalents		**1,575,740**	2,059,815
Total current assets		**2,500,125**	2,910,664
Total assets		**4,023,838**	4,348,092

	Note	**Unaudited 30 June 2014** *US$'000*	Audited 31 December 2013 *US$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**263,921**	264,475
Other reserves		**1,627,127**	1,678,888
		1,891,048	1,943,363
Non-controlling interests		**8,335**	8,865
Total equity		**1,899,383**	1,952,228
LIABILITIES			
Non-current liabilities			
Borrowings		**747,620**	847,325
Deferred income tax liabilities		**13,100**	13,106
Other non-current liabilities		**20,893**	20,717
Total non-current liabilities		**781,613**	881,148
Current liabilities			
Trade payables	11	**171,293**	281,379
Accruals and other payables		**496,209**	737,588
Current income tax liabilities		**46,105**	85,306
Borrowings		**629,235**	410,443
Total current liabilities		**1,342,842**	1,514,716
Total liabilities		**2,124,455**	2,395,864
Total equity and liabilities		**4,023,838**	4,348,092
Net current assets		**1,157,283**	1,395,948
Total assets less current liabilities		**2,680,996**	2,833,376

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

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, Japan, Hong Kong and Singapore, and its products are also sold to the United States of America, Canada, countries in South-East Asia and Europe.

The Company was incorporated in the Cayman Islands on 3 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

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

This condensed consolidated interim financial information is presented in United States dollars (US$), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 26 August 2014.

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

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with 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 2013, 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 2014.

- Amendment to HKAS 32 'Financial instruments: Presentation – Offsetting financial assets and financial liabilities' is effective for annual periods beginning on or after 1 January 2014. It clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. It is not expected to have any significant impact on the Group's financial statements.

- Amendments to HKFRS 10, 12 and HKAS 27 'Consolidation for investment entities' are effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make. It is not expected to have any significant impact on the Group's financial statements.

- Amendment to HKAS 36 'Impairment of assets on recoverable amount disclosures' is effective for annual periods beginning on or after 1 January 2014. It addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. It is not expected to have any significant impact on the Group's financial statements.

- HK(IFRIC) Interpretation 21 'Levies' is effective for annual periods beginning on or after 1 January 2014. It is an interpretation of HKAS 37 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. It is not expected to have any significant impact on the Group's financial statements.

(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 2014 and have not been early adopted

- Amendment to HKAS 19 regarding defined benefit plans, effective for annual periods beginning on or after 1 July 2014.

- Annual improvements 2012 that affect following standards: HKFRS 2 'Share-based payment', HKFRS 3 'Business combinations', HKFRS 9 'Financial instruments', HKAS 37 'Provisions, contingent liabilities and contingent assets', HKAS 39 'Financial instruments – Recognition and measurement', HKFRS 8 'Operating segments', HKAS 16 'Property, plant and equipment', HKAS 38 'Intangible assets' and HKAS 24 'Related Party Disclosures', effective for annual periods beginning on or after 1 July 2014.

- Annual improvements 2013 that affect following standards: HKFRS 3 'Business combinations', HKFRS 13 'Fair value measurement' and HKAS 40 'Investment property', effective for annual periods beginning on or after 1 July 2014.

- HKFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.

- Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations, effective for annual periods beginning on or after 1 January 2016.

- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016.

- HKFRS15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2017.

- HKFRS 9 'Financial Instruments'.

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 executive Directors. The executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on their reports.

The executive Directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of segment profit or loss. Management assesses the performance of rice crackers, dairy products and beverages, snack foods and other products.

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

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

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

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

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

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

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

The segment information for the six months ended 30 June 2014 is as follows:

	Six months ended 30 June 2014					
	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	**304,317**	**986,806**	**557,718**	**3,760**	**–**	**1,852,601**
Segment profit/(loss)	**50,158**	**242,641**	**137,896**	**(3,317)**	**(32,635)**	**394,743**
Finance income-net						**31,458**
Share of losses of associates						**(29)**
Profit before income tax						**426,172**
Income tax expense						**(108,192)**
Profit for the period						**317,980**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**16,352**	**22,081**	**17,467**	**402**	**1,814**	**58,116**
Amortisation of leasehold land and land use rights	**332**	**836**	**504**	**74**	**16**	**1,762**
Depreciation of investment properties	**–**	**–**	**–**	**100**	**–**	**100**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**102**	**102**
Capital expenditure	**25,678**	**117,018**	**13,905**	**1,512**	**16,809**	**174,922**

The segment assets and liabilities as at 30 June 2014 are as follows:

	30 June 2014					
	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	**801,439**	**2,142,893**	**872,925**	**157,705**	**39,492**	**4,014,454**
Investments in associates						**9,384**
Total assets						**4,023,838**
Total liabilities	**252,038**	**280,468**	**170,449**	**30,178**	**1,391,322**	**2,124,455**

The segment information for the six months ended 30 June 2013 is as follows:

	Six months ended 30 June 2013					
	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	320,075	942,170	488,217	3,989	–	1,754,451
Segment profit/(loss)	37,838	272,755	116,897	585	(30,794)	397,281
Finance income-net						21,944
Share of post-tax profit of associates						635
Profit before income tax						419,860
Income tax expense						(112,409)
Profit for the period						307,451
Other segment items included in the income statement						
Depreciation of property, plant and equipment	13,011	17,407	13,828	258	2,189	46,693
Amortisation of leasehold land and land use rights	303	650	470	73	14	1,510
Depreciation of investment properties	–	–	–	29	–	29
Amortisation of intangible assets	–	–	–	–	81	81
Capital expenditure	23,665	65,393	26,728	16,307	959	133,052

The segment assets and liabilities as at 31 December 2013 are as follows:

	31 December 2013					
	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	930,157	2,212,590	987,584	168,793	39,369	4,338,493
Investments in associates						9,599
Total assets						4,348,092
Total liabilities	384,164	438,953	261,928	40,305	1,270,514	2,395,864

5. Other (losses)/gains – net

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Net foreign exchange (losses)/gains	**(1,059)**	2,218
Losses on disposal of property, plant and equipment, net	**(409)**	(524)
Donation expenses	**(2,492)**	(1,048)
Gains on the financial assets at fair value through profit or loss	**14**	30
Insurance claim income	**–**	5,905
Others	**2,141**	1,560
Total	**(1,805)**	8,141

The Group received and recognised the insurance claim income of US$5,905,000 during the six months ended 30 June 2013 for the losses in connection with a fire accident occurred at a warehouse in 2012.

6. Other income

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Government grants	**36,859**	27,042
Sale of scraps	**5,063**	5,896
Rental income, net	**216**	171
Others	**379**	288
Total	**42,517**	33,397

7. Income tax expense

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Current income tax		
– Mainland China	**100,410**	99,490
– Taiwan	**688**	346
– Hong Kong and overseas	**–**	–
	101,098	99,836
Deferred income tax	**7,094**	12,573
Total	**108,192**	112,409

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	
	2014	2013
Profit attributable to equity holders of the Company (US$'000)	**318,450**	307,610
Weighted average number of ordinary shares in issue (thousands)	**13,211,571**	13,227,706
Basic earnings per share	**US2.41 cents**	US2.33 cents

(b) Diluted

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

9. Dividends

Final dividend of US$299,917,000 for the year ended 31 December 2013 was paid in May 2014 (2013: US$259,264,000).

An interim dividend of US1.21 cents per share (2013: US1.21 cents) was declared by the Board of Directors on 26 August 2014. It is payable on or about 10 October 2014 to shareholders who are on the register of members of the Company on 17 September 2014. This interim dividend, amounting to US$159,672,000 (2013: US$160,007,000), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2014.

10. Trade receivables

	30 June 2014	31 December 2013
	US$'000	*US$'000*
Trade receivables		
– from third parties	**95,992**	167,923
– from related parties	**2,271**	1,846
	98,263	169,769
Less: provision for impairment	**(4,832)**	(5,272)
Trade receivables, net	**93,431**	164,497

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 (2013: 60 to 90 days).

As at 30 June 2014 and 31 December 2013, the ageing analysis of trade receivables, before provision for impairment, is as follows:

	30 June 2014	31 December 2013
	US$'000	*US$'000*
Within 60 days	**72,925**	150,396
61-90 days	**11,428**	8,134
91-180 days	**11,964**	8,480
181-365 days	**865**	1,822
Over 365 days	**1,081**	937
Total	**98,263**	169,769

11. Trade payables

As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade payables is as follows:

	30 June 2014	31 December 2013
	US$'000	*US$'000*
Within 60 days	**140,131**	247,844
61 to 180 days	**24,533**	26,489
181 to 365 days	**4,558**	5,545
Over 365 days	**2,071**	1,501
Total	**171,293**	281,379

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

During the first half of 2014, the Chinese government implemented deepening reforms and proactively lowered the country's economic growth expectation. Gross domestic product (GDP) of China grew at a record low rate of 7.4% year-on-year and consumption was generally weak. Nevertheless, the Group achieved a total revenue of US$1,852.6 million for the first half of 2014, representing a year-on-year increase of 5.6%, through refined product management through splitting of product divisions, timely introduction of new products and enrichment of product offerings. Our three key product segments, namely, rice crackers, dairy products and beverages, and snack foods accounted for 16.4%, 53.3% and 30.1%, respectively, of our total revenue.

Benefiting from our rich product variety, diversified product portfolio and strong profitability management capability, the Group managed to achieve a gross profit margin for the first half of 2014 of 40.3% which is just 0.9 percentage point lower than that of the corresponding period in the previous year through cost control, introduction of new products with high gross margin and optimization of product mix despite the surge in utility price of whole milk powder.

In addition, advertising and promotion expenses have increased due to the introduction of new products in the first half of the year. However, the effectiveness of such expenses was enhanced through the use of our Customer Relationship Management (CRM) system. Overall, operating expenses (distribution costs and administrative expenses) as a percentage of revenue increased marginally by 0.2 percentage point.

As a result of the above, profit attributable to equity holders of the Company was US$318.5 million, representing an increase of 3.5% as compared with that of the corresponding period in 2013. Excluding the effect of fire insurance claim income in the first half of 2013, profit attributable to equity holders of the Company increased by 5.0% on a year-on-year basis.

REVENUE

Total revenue of our Group increased by 5.6% from US$1,754.5 million in the first half of 2013 to US$1,852.6 million in the first half of 2014. Due to the good performance of new products and the successful operation of the popsicles business, revenue attributable to snack foods recorded a growth of 14.2% amid a sluggish sales market. Sales of flavoured milk faced severe challenge in the second quarter due to sales slowdown in the dairy market. However, as other beverages recorded strong growth, our overall revenue attributable to dairy products and beverages still achieved a growth of 4.7%. Revenue attributable to rice crackers decreased as compared with that of the corresponding period in the previous year due mainly to the shorter period of sales leading to the lunar new year in 2014 which affected the sales of gift packs.

Rice crackers

Revenue attributable to rice crackers amounted to US$304.3 million for the first half of 2014, representing a decrease of 4.9% as compared with that of the corresponding period in 2013. As the period of sales leading to the lunar new year in 2014 was shorter than that of the previous year by 10 days, revenue attributable to gift packs decreased from US$33.68 million in the first half of 2013 to US$23.59 million in the first half of 2014, representing a decrease of 30.0%. Sales of core brand "Want Want" rice crackers, which accounted for approximately 90% of the rice crackers segment revenue, were also affected by the lunar new year factor but were able to benefit from the introduction of new products such as "soya flavored savoury crackers (仙貝物語)" and "Mini Snowy Crisps (小雪餅)" and recorded a revenue slightly higher than that of the corresponding period in the previous year. Although the upward price adjustment for the sub-brand rice crackers had resulted in a significant decline in their sales volume, it had a significant positive contribution to the overall profitability of the rice crackers segment.

In the second half of the year, we will make an all-out effort to continue to launch new products and lunar new year products, strengthen sales management for weaker regions and enhance the on-shelf visibility of certain products in order to drive for a steady revenue growth and minimize the adverse impact of a shorter sales period in the second half of 2014 leading to the forthcoming lunar new year for rice crackers.

Dairy products and beverages

Revenue attributable to dairy products and beverages grew by 4.7% from US$942.2 million in the first half of 2013 to US$986.8 million in the first half of 2014. Flavoured milk, which accounted for approximately 88% of the dairy products and beverages segment revenue, maintained a mid-teen growth in the first quarter. However, market demand for dairy products in China slowed down and was weak in the second quarter. Compounded with intensive marketing activities for the various dairy products in the market, the overall sales at the points-of-sales have slowed down. The Group reduced shipments in the second quarter to ensure a healthy stock age in the end market and launched different forms of marketing activities to secure a normal channel inventory level. In these circumstances, revenue attributable to "Hot-Kid milk" in the first half of 2014 amounted to US$873.1 million, representing a growth of 2.4% over the same period in 2013.

The performance of other beverages in the first half of 2014 was fairly good and recorded revenue of US$83.44 million, representing a growth of 30.8% over the same period in last year. Of these other beverages, "O Bubble fruit milk" and yogurt drinks both achieved remarkable results and recorded a significant revenue growth of 45.6% and 31.0%, respectively, over the same period in 2013. In addition, newly launched PET bottled "O Bubble fruit milk", "Galaxy" flavoured yogurt drinks and sports drinks also started to contribute to our revenue.

In the future, following the introduction of "O Bubble fruit milk", yogurt drinks and flavoured milk with various tastes in recent years, the management planned to introduce more innovative products to the market with the objectives of giving impetus to this segment's growth and mitigating the operational risk of high concentration on the sales of "Hot-Kid milk".

Snack foods

Benefiting from the successful launch of new popsicles products, revenue of snack foods grew by 14.2% from US$488.2 million in the first half of 2013 to US$557.7 million in the first half of 2014. Revenue of popsicles and jellies subcategory achieved a growth of 35.2%. In particular, the newly launched "Sip & Slurp（吸吸冰）" received strong market response and drove the revenue of popsicles to grow significantly by 44.1%. Another snack foods subcategory, beans, nuts and others recorded a remarkable year-on-year revenue growth of 7.9% amid the weakening snack foods market. In the second half of the year, we will continue to launch products with new concepts and optimize the product mix for the sustainable and steady revenue growth of this segment.

COST OF SALES

The cost of sales of our Group included mainly cost of primary raw materials (such as milk powder, sugar, rice, palm oil and packaging materials), direct labour and manufacturing cost such as utilities. In view of the rising labour cost in China, the Group continued to optimize the deployment of production staff and promote automation, which enabled the highly labour-intensive production lines such as the rice crackers line to achieve cost-effectiveness in the first half of the year. In addition, the diversified product structure has enabled the Group to partially mitigate the risk of volatility of primary raw material prices. As a result of the above, cost of sales only increased marginally from US$1,030.8 million in the first half of 2013 to US$1,105.4 million in the first half of 2014. In the future, the Group will continue to integrate production bases and production lines and optimize cost structure to achieve the highest degree of cost-effectiveness.

GROSS PROFIT

Despite more than 45% rise in the cost of the key raw material, whole milk powder, the Group's gross profit margin only decreased by 0.9 percentage point from 41.2% in the first half of 2013 to 40.3 % in the first half of 2014. Gross profit increased by 3.3% from US$723.7 million in the first half of 2013 to US$747.2 million in the first half of 2014. This is mainly attributable to the Group's strategies of product differentiation and diversification, which has enabled the Group to lift the average unit selling price of our products through different measures including product mix optimization, introduction of new products with high gross profit margin and adjustment of sales policies. Our track record of relatively high gross profit margin once again demonstrates the capability of our management in managing product profitability.

Rice crackers

The gross profit margin of rice crackers increased by 3.0 percentage points from 35.6% in the first half of 2013 to 38.6% in the first half of 2014. This is mainly attributable to the adjustment of sub-brand mix, the introduction of new products with higher gross profit margin and the increase in selling price of certain products. In addition, the fall in prices of primary raw materials such as sugar and palm oil, the effect of optimized deployment of production line staff and continued drive for automation also contributed to the rise in gross profit margin. In the future, the Group will continue to actively improve the overall layout of production lines, regularly review the product mix and constantly launch distinctive rice cracker items according to consumer preferences with high gross profit margin to ensure steady growth in profitability.

Dairy products and beverages

The gross profit margin of dairy products and beverages in the first half of 2014 was 38.5%, representing a decrease of 4.0 percentage points as compared with that of the corresponding period in 2013. This decrease was mainly due to the rise in the utility price of whole milk powder by over 45% on a year-on-year basis, albeit the impact was partially offset by the upward adjustment of product price and the introduction of new products with high gross profit margin. Currently, the market price of milk powder has decreased, and if such decrease remains, it is expected that this would contribute positively to the gross profit margin of dairy products and beverages in the future.

Snack foods

Despite the increase in price of certain raw materials such as gelatin in the first half of 2014, the gross profit margin of snack foods increased by 2.5 percentage points from 42.7% in the first half of 2013 to 45.2% in the first half of 2014. This increase was mainly driven by a combination of factors such as the optimization of product mix and successful launch of new products with high gross profit margin. In the future, the Group will continue to adhere to product differentiation to secure its leading position in each of the niche markets to which its products belong, and at the same time maintain high profitability through the enhancement of product mix of high gross profit margin products.

DISTRIBUTION COSTS

Notwithstanding the increase in marketing expenses in the first half of 2014 for the purpose of successfully launching new products, distribution costs only increased by 8.4% from US$219.5 million in the first half of 2013 to US$237.9 million in the first half of 2014. Distribution costs as a percentage of revenue increased marginally by 0.3 percentage point over the same period in last year to 12.8% in the first half of 2014. Of which, labour costs as a percentage of revenue increased by 0.2 percentage point over the same period in last year to 4.0%.

Advertising and promotion expenses amounted to US$71.90 million in the first half of 2014, while corresponding expenses to revenue ratio was 3.9%, representing a slight increase of 0.3 percentage point over the same period in last year. This was mainly due to the increased deployment of information system, which indicates that the Group has effectively managed the marketing expenses, thereby making the allocation of resources more precise and effective, and ensuring the corresponding expenses to revenue ratio for new products are managed within the expected level.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased from US$148.5 million in the first half of 2013 to US$155.3 million in the first half of 2014 due primarily to the increase in labour costs. The overall administrative expenses as a percentage of revenue was 8.4%, representing a decrease of 0.1 percentage point over the corresponding period in the previous year.

OPERATING PROFIT

Despite the slowing revenue growth and the use of high-priced whole milk powder, our sound management of product profitability and distribution costs has enabled the operating profit of the Group to increase slightly from US$391.4 million in the first half of 2013 to US$394.7 million in the first half of 2014, representing a growth of 0.9% (excluding the effect of fire insurance claim income in the first half of 2013). In particular, despite the decrease in revenue of 4.9%, operating profit of rice crackers increased by US$12.30 million or 33% over the same period in last year, to US$50.20 million as a result of the improvement in product mix and the introduction of new products with high gross margin. Operating profit of snack foods also increased by 18% year-on-year to US$137.9 million, which essentially offset the weak performance of flavoured milk and the adverse effect of high milk powder price. This once again evidenced the effectiveness of the Group's strategy of having a diversified product mix.

INCOME TAX EXPENSE

Our income tax expense decreased from US$112.4 million in the first half of 2013 to US$108.2 million in the first half of 2014, based on an effective income tax rate of 25.4% which represented a decrease of 1.4 percentage points over the tax rate of 26.8% for the corresponding period in the previous year.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased by 3.5% from US$307.6 million in the first half of 2013 to US$318.5 million in the first half of 2014. The margin of profit attributable to equity holders of the Company was 17.2%, representing a slight decrease of 0.3 percentage point as compared with that of the corresponding period in last year. After excluding the effect of fire insurance claim income in the first half of 2013, profit attributable to equity holders of the Company increased by 5.0% and the margin of profit attributable to equity holders of the Company decreased by 0.1 percentage point over the corresponding period in 2013.

OUTLOOK OF THE SECOND HALF

Building on our strategy to split up various product divisions and to divide our market into 2,811 segments in the beginning of the year, we will continue to upgrade distribution channels and increase on-shelf visibility of products through accelerated coverage and diversified display. We will also continue to launch new products and increase the number of points-of-sales covered by "Want Want" products in order to drive the future growth of the Group.

- **Reintroducing distribution service in respect of existing products with low distribution rate**

  As we have a vast variety of products, the distribution rate of many existing products is much lower than the expected level. To enhance the distribution of various products in tandem with the splitting of product divisions in the beginning of the year, in the second half of the year, the Group will, based on the existing division of market segments and provided that the interest of existing exclusive distributors will not be prejudiced, focus on developing distributors (which will directly serve terminal stores with small floor area) for selected items with low distribution rate, in an attempt to expand the coverage of terminal stores. This strategy will be implemented in phases, initially in pilot locations in the Eastern China region and then gradually across the country.

- **Actively allocating resources to prepare for the coming lunar new year sales**

  Although the overall consumer sentiment in China is weak, the lunar new year project has always been a key operation project of the Group each year, which involves detailed implementation of production and sales, organization of nationwide distributor conferences and allocation of resources to channels. Leveraging on our extensive experience in operating in peak seasons, the Group will properly allocate resources to the whole supply chain and invest in points-of-sales promotion for diversified and specialty product displays to this reap buoyant peak season sales in a "weak year".

- **Adhering to the objective of zero tolerance for production and quality safety risks and fulfilling corporate social responsibility**

  In view of a number of recent incidents concerning production environment and food safety in China and in order to maintain "Want Want" as a prime brand in the mind of the consumers, the Group will, as always, not only manage and monitor quality safety throughout the whole process from the procurement of raw materials and packaging materials to the production, processing, sales and transportation of products, but will also carry out enhanced management in areas such as production environment safety, energy saving and emission reduction, and environmental protection, so as to fulfil its corporate social responsibility and lay a sound foundation for the Group's sustainable development. In addition, the Group will comprehensively upgrade or replace factories and facilities that have been in production for a long period, continue to implement Quality Control Circle (QCC) and upgrade all production facilities and processes in order to achieve the objective of zero tolerance for production and quality safety risks.

LIQUIDITY AND CAPITAL RESOURCES

Cash and borrowings

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

As at 30 June 2014, our bank balances and deposits amounted to US$1,575.7 million (31 December 2013: US$2,059.8 million), representing a decrease of 23.5%. Over 97% of our cash was denominated in Renminbi ("RMB").

As at 30 June 2014, our total borrowings, including bank borrowings and issued senior notes ("Notes") amounted to US$1,376.8 million (31 December 2013: US$1,257.8 million), representing an increase of US$119.0 million. Bank borrowings increased by US$118.7 million to US$779.2 million (31 December 2013: US$660.5 million). Over 99% of our borrowings were denominated in US$.

As the Group took advantage of the current low interest rate environment to fix the medium and long term interest costs, we issued US$600.0 million 5-year term Notes with an annual interest rate of 1.875% in May 2013. As at 30 June 2014, the balance of Notes payable amounted to US$597.6 million (31 December 2013: US$597.3 million).

We were in a net cash position (cash and cash equivalents less total borrowings) of US$198.9 million as at 30 June 2014 (31 December 2013: US$802.0 million). Cash and cash equivalents less total borrowings balance decreased by US$603.1 million as compared with that as at 31 December 2013. This was mainly due to the abnormal level of sales of flavoured milk in the second quarter which slowed down the turnover of working capital. Therefore, going forward, as the price of milk powder decreases and the sales resume to a steady level, net cash inflow will increase.

Our net gearing ratio (total borrowings net of cash and cash equivalents divided by total equity at the end of the period (excluding non-controlling interests)) as at 30 June 2014 was-10.5% (31 December 2013: -41.3%). We currently maintain sufficient cash and available banking facilities for our working capital requirements and for capitalizing on any potential significant 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 2014, our net cash decreased by US$484.1 million. A total of US$80.20 million was spent in our operating activities. We spent US$220.1 million on financing activities and US$174.8 million on investment activities. The cash outflow for financing activities was used mainly in paying our dividends of US$299.9 million. There was a net borrowing inflow of US$118.7 million. The cash outflow for investment activities was used mainly in the expansion of production facilities and the purchase of property, plant and equipment.

Capital expenditure

To support the introduction of new products and to cater for the medium and long term development, the Group's capital expenditure in 2014 is estimated to be approximately US$370 million, which will be used to expand the existing production capacity and about half of the amount will be used to acquire land for the purpose of building new factories to prepare for the relocation of certain existing factories in the future.

In the first half of 2014, our total capital expenditure amounted to US$174.9million (in the first half of 2013: US$133.1 million). We spent approximately US$25.70 million, US$117.0 million and US$13.90 million on additions to factory buildings and facilities for rice crackers, dairy products and beverages and snack foods, respectively, so as to further enhance our production capacity for these products. The remaining capital expenditure was made mainly for the purpose of adding facilities for information technology and packaging.

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

Inventory analysis

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

The following table sets forth the number of our inventory turnover days for the six months ended 30 June 2014 and the year ended 31 December 2013:

	Six months ended 30 June 2014	Year ended 31 December 2013
Inventory turnover days	**101**	81

Inventory turnover days increased by 20 days mainly due to the discrepancy between the actual and expected sales of flavoured milk and the shortage of milk powder supply last year, which led to corresponding increase in the inventory level of raw materials.

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 six months ended 30 June 2014 and the year ended 31 December 2013:

	Six months ended 30 June 2014	Year ended 31 December 2013
Trade receivables turnover days	**13**	16

Trade payables

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

The following table sets forth the number of our trade payables turnover days for the six months ended 30 June 2014 and the year ended 31 December 2013:

	Six months ended 30 June 2014	Year ended 31 December 2013
Trade payables turnover days	**37**	42

Pledge of assets

As at 30 June 2014, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

Our average number of employees decreased from approximately 52,000 in the first half of 2013 to approximately 50,000 in the first half of 2014, representing a decrease of 3.4%, mainly as a result of the optimization in production line staff deployment. Total remuneration expenses for the first half of 2014 were US$258.9 million, representing an increase of 5.4% as compared with that of the corresponding period in the previous year. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance-based year-end rewards having regard to the Group's and the individual's performance.

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

FOREIGN EXCHANGE RISK

Our Company's functional currency is US$ and majority of our subsidiaries' functional currency is RMB. Foreign exchange risk arises from future procurements from overseas and certain recognized assets or liabilities. The Group has not hedged against its foreign exchange risk as the Group considers that its exposure after netting off the assets and liabilities subject to foreign exchange risk is not significant.

AUDIT COMMITTEE

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

The unaudited interim results of the Group for the six months ended 30 June 2014 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

During the six months ended 30 June 2014, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviations from the code provisions A.2.1 and A.4.1. 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 35 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.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding directors' securities transactions. Having made specific enquiries with our Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

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

During the six months ended 30 June 2014, the Company repurchased 27,149,000 shares on The Stock Exchange of Hong Kong Limited for an aggregate amount (excluding expenses) of 294,691,916 Hong Kong dollars (HK$). Such repurchased shares were cancelled during the period.

Details of the above mentioned share repurchases are as follows:

Month of repurchases	Total number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate amount paid (excluding expenses)
		(HK$)	*(HK$)*	*(HK$)*
January 2014	10,984,000	10.82	10.46	118,275,500
May 2014	16,165,000	10.98	10.82	176,416,416
	27,149,000			294,691,916

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities (including the Notes) of the Company during the six months ended 30 June 2014 and up to the date of this announcement.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of the Company of US1.21 cents per ordinary share of the Company for the six months ended 30 June 2014. The interim dividend is expected to be paid on or about 10 October 2014 to shareholders whose names appear on the register of members of the Company on 17 September 2014. Shareholders registered under the principal register of members in the Cayman Islands will automatically receive their dividends in United States dollars while shareholders registered under the Hong Kong branch register of members will automatically receive their dividends in Hong Kong dollars. The Hong Kong dollar interim dividend will be calculated with reference to the exchange rate of United States dollars against Hong Kong dollars on 17 September 2014.

In order to qualify for the entitlement to the above mentioned interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 12 September 2014. The register of members of the Company will be closed from 15 September 2014 to 17 September 2014 (both dates inclusive).

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

Hong Kong, 26 August 2014

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