OVERVIEW

We are one of the leading food and beverage manufacturers in China. We are the market leader in China for several of our key products, including having a market share of 68.6%, 40.6% and 28.5% in rice crackers, flavoured milk and soft candy, respectively, in terms of sales for the six months ended June 30, 2007 according to the ACNielsen Report (a report commissioned by the Company). We believe we are also the market leader in China in popsicles, ball cakes and gift packs. Our core brand, "Want Want" (旺旺), which symbolizes prosperity and good fortune in Chinese, is, we believe, the most widely recognized food and beverage brand in China.

We have a well-diversified product mix, manufacturing and marketing our products in the following key segments:

- rice crackers;
- dairy products and beverages, including flavoured milk, yoghurt drinks, ready-to-drink coffee, carbonated drinks, herbal tea and milk powder;
- snack foods, including candies, popsicles and jellies, ball cakes, and beans and nuts; and
- other products, primarily wine.

Most of our operations are in China, which is one of the fastest growing economies in the world with food and beverage urban consumption growing at a CAGR of 8.2% from 2002 to 2006. As at September 30, 2007, we had 31 production bases and 90 factories in operation, and our current nation-wide distribution network in China consists of 308 sales offices owned by us and over 15,000 third-party wholesalers. Our sales generated in China accounted for 85.6%, 88.0%, 90.8% and 91.0% of our total sales for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively. We also have operations in Taiwan, Hong Kong, Singapore and Japan, and export our products to other markets, including Thailand, Korea, the United States and Canada.

For the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, we generated total sales in our Core Operations of US$512.52 million, US$672.35 million, US$849.95 million and US$756.35 million, respectively, of which US$438.85 million, US$591.40 million, US$771.64 million and US$688.50 million, respectively, were generated in China. The net profit for our Core Operations for the same periods was US$74.42 million, US$116.64 million, US$140.53 million and US$140.73 million, respectively. For an explanation of our Core Operations and Non-core Operations, please see "Financial Information—Overview of Our Operations". For a detailed analysis of our operating results, please see "Financial Information – Review of Historical Operating Results".

OUR COMPETITIVE STRENGTHS

Strong brand recognition complemented by successful multi-brand strategy

Our flagship "Want Want" (旺旺) brand, together with our mascot "Hot-Kid" logo (), is the most widely recognized food and beverage brand in China. The "Want Want" name carries a strong significance in Chinese culture, symbolizing prosperity and good fortune. Our strong brand name has been developed over the 25 years since it was first launched in Taiwan, and has been strengthened by our long history in Hong Kong and Singapore, and in the 15 years since we commenced selling our products in China, through advertising, marketing, continuous product innovation and emphasis on product quality.

We believe our “Want Want” brand and products are widely known by Chinese people of all ages, both in China and among Chinese communities worldwide. We focus our promotional efforts on increasing our brand awareness among children, and at the same time promoting our products to parents and the elderly. By developing customers’ familiarity with our brand and products from childhood, our strategy is that these customers will grow up with our products into adulthood and purchase our products for their own children. Our brand “Want Want” is closely associated with Chinese festivals such as Chinese New Year and Mid-Autumn Festival, and we have thus successfully launched, and became one of the leading manufacturers, in our gift packs which are tailor-made for Chinese festivals.

Since 2000, we have adopted a multi-brand strategy in order to market our products across a broader range of consumer groups and product segments. The introduction of sub-brands, for example “Yappy” ( ) and “Mitailang” (米太郎), has allowed us to tap into a wider customer base across counties, townships and villages throughout China. Our multi-brand strategy has enabled us successfully to increase our market share of our rice cracker products in China to 68.6% for the six months ended June 30, 2007, while our four closest competitors had a market share of less than 4% each, according to the ACNielsen Report (a report commissioned by the Company).

Dominant market leader in one of the world’s fastest-growing and largest economies

We operate and sell most of our products in China, one of the world’s fastest growing and largest economies, with per capita GDP growing at a CAGR of 14.4% from 2002 to 2006. During the same period, the per capita annual disposable income of urban households in China grew at a CAGR of 11.0%, and per capita annual net income of rural households in China grew at a CAGR of 8.1%. Food and beverages is the largest category of per capita consumption expenditure in China, representing 35.8% and 43.0% of per capita consumption expenditure in urban and rural households, respectively, in 2006.

We dominate the rice cracker market in China and are a market leader in a number of product segments, including flavored milk and soft candy. We were the largest rice cracker producer in China in terms of both production volume and capacity for the year ended December 31, 2006 and we produced over 130,000 tons of rice crackers in 2006. We have a market share of 68.6% in China’s rice cracker market for the six months ended June 30, 2007, while our four closest competitors had a market share of less than 4% each, according to the ACNielsen Report (a report commissioned by the Company). We also have a market share of 40.6% in flavoured milk and a market share of 28.5% in soft candy for the six months ended June 30, 2007 according to the ACNielsen Report (a report commissioned by the Company) and our market share in the soft candy segment was double that of our nearest competitor. Our dominant market position makes us well-positioned to capture future growth in these key market segments.

Extensive distribution network and advanced distribution channels allowing broad and efficient distribution of our products

We have established an extensive sales and distribution network throughout China, with 308 sales offices and over 15,000 wholesalers located throughout China as of September 30, 2007. Our extensive sales and distribution network allows us to distribute our products at all levels, from cities and urban centres to counties, townships and villages throughout China.

Our extensive distribution and sales network also allows us to tap into China’s fast growing rural market. From 2003 to 2006, per capita rural consumption of food and beverages has enjoyed over 11% CAGR compared with 8.8% CAGR in urban areas over the same period. With increasing spending power in rural areas, we believe there is significant market potential in this particular segment.

We have 31 production bases and 90 factories in strategic locations throughout China. This extensive production base and proximity to our target markets maximizes our market penetration and increases our distribution efficiency.

Well-diversified product mix and proven track record in product development

Over the past 25 years, we have successfully evolved from a pure rice cracker company to a diversified food and beverage company. We offer our customers a comprehensive range of products including rice crackers, flavoured milk, gummy sweets, milk candies, popsicles and jellies, with different flavours and packaging sizes, giving us a diversified revenue source. Our current products are a result of many years of research and development, and have been customized to appeal to local tastes. We believe our understanding of local markets, production expertise and emphasis on product quality enable us consistently and successfully to bring new products to market.

Our research and development activities are focused and market-oriented, and we constantly strive for differentiation and innovation in our new product development. We focus our product development efforts on improving our existing products as well as identifying successful products in overseas markets and adopting them for local tastes. We continuously introduce innovative ideas in our product development, including the introduction of new products, flavours and packaging. We have launched a number of new products in recent years, including “Aiyo” () yoghurt drinks and “Guo Dong Shuang” (果凍爽) frozen fruit jelly which have been well received by the market. In addition, we have also developed our gift packs for Chinese festivals and were one of the pioneers in introducing such products to the market. We believe the success of these products further strengthens our overall product portfolio, and our future new product development will contribute to our growth and profitability.

Experienced management team with a proven track record of delivering sustainable growth and profitability

Our management team possesses extensive operating experience and industry knowledge. Mr. Tsai, our Chairman and Chief Executive Officer, has more than 30 years of experience in the food and beverage industry, while most of our other senior management have been with our Company and/or in the industry for over 15 years.

Under the leadership of our management team, we have achieved a strong track record of consistent growth and profitability, with turnover in our Core Operations growing from US$512.52 million for the year ended December 31, 2004 to US$849.95 million for the year ended December 31, 2006, representing a CAGR of 28.8%. During the same period, our net profit for our Core Operations grew from US$74.42 million for the year ended December 31, 2004 to US$140.53 million for the year ended December 31, 2006, representing a CAGR of 37.4%.

Our management team has played a key role in building a culture which encourages delivery of consistent and high quality products while keeping costs low. We believe our management team also possesses the leadership and vision required to anticipate changes in consumer tastes, develop new products and ensure our future growth.

OUR STRATEGIES

Continue to enhance our brand recognition and manage our product portfolio for future growth

We will continue to maintain and promote our core “Want Want” brand, which we regard as one of our most valuable assets. In addition, we will continue to pursue and refine our multi-brand strategy, to compete across a broader range of consumer and product segments and increase our market penetration in different markets. Where appropriate, we will develop new brands and products to address the full range of consumer needs.

We place strong emphasis on quality, from raw materials to the finished products and packaging. **"Quality is the life of our products".** This emphasis on quality has enabled us to market our products at a premium price. We will continue to leverage our emphasis on product quality to further enhance our status as a premium food and beverage manufacturer. At the same time, we will continue to differentiate our mass market products by emphasising high quality at competitive prices.

Further enhance the efficiency and effectiveness of our sales and distribution systems and expand our sales and distribution network
We will continue to enhance our sales and distribution systems to facilitate timely and accurate management decision-making, and improve our ability to anticipate and respond quickly to market changes.

In order to enhance the network for distribution of our products, we established a new distribution system in September 2006 whereby our sales representatives liaise with small and medium sized retailers which are not covered by the traditional wholesale distribution network and obtain sales orders from them directly. We will further develop our new distribution system, by seeking to expand the regions, cities and counties covered and to ensure deeper market penetration of our products in key strategic locations at greater speed and with higher efficiency. We intend to continue actively managing our existing wholesale distribution network, annually reviewing the performance of each of our distributors for potential improvements and seeking to increase the effectiveness of this distribution channel.

We will also enhance our distribution network through the expansion of our sales office network. In particular, we intend to establish approximately 55 additional sales offices in regions throughout China. Please see "Future Plans and Use of Proceeds".

In addition, we will continue to improve our information systems and information technology infrastructure in order to increase our management efficiency.

Further improve effective cost management
We will continue to manage production costs through vertical integration of our manufacturing and packaging operations and increase the local sourcing of our raw materials. We have our own production lines for packaging materials and certain of our raw materials. Further, we have the capability to build production lines and ancillary equipment for certain product categories in-house which results in significant savings in capital expenditure and production costs. We have also centralized the procurement of the majority of our raw materials to take advantage of our economies of scale and maximise our bargaining power with suppliers. We will continue to seek new methods to manage our costs effectively and further improve our profitability.

OUR PRODUCTS

Overview
We manufacture and market a broad range of food and beverage products in the following key segments:

- rice crackers;
- dairy products and beverages, including flavoured milk, yoghurt drinks, ready-to-drink coffee, carbonated drinks, herbal tea and milk powder;
- snack foods, including candies, popsicles and jellies, ball cakes, and beans and nuts; and

- other products, primarily wine.

The table below sets out our annual sales by product segment for our Core Operations for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2004		2005		2006		2006		2007	
	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total
Rice crackers	217,389	42.4	267,267	39.8	307,511	36.2	191,053	32.1	230,031	30.4
Dairy products and beverages	135,544	26.4	198,487	29.5	276,754	32.5	195,303	32.9	275,144	36.4
Snack foods	148,924	29.1	195,962	29.1	257,314	30.3	201,827	34.0	244,666	32.3
Others	10,659	2.1	10,632	1.6	8,369	1.0	6,079	1.0	6,505	0.9
Total	512,516	100.0	672,348	100.0	849,948	100.0	594,261	100.0	756,346	100.0

Rice Crackers

We are the largest rice cracker producer in China. Our rice cracker products include Xue Bing (雪餅) (sugar coated crackers), Xian Bei (仙貝) (savoury crackers), Xiao Xiao Su (小小酥) (fried crackers) and other rice-based products. We have a variety of rice cracker products with different flavours, serving sizes and packaging. Rice crackers contributed 42.4%, 39.8%, 36.2% and 30.4% of our sales for our Core Operations for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively.

The table below sets out our sales from rice crackers for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2004		2005		2006		2006		2007	
	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total
Core brand crackers	127,763	58.8	157,746	59.0	181,176	58.8	124,514	65.2	164,962	71.7
Sub-brand crackers	64,797	29.8	56,114	21.0	67,505	22.0	50,674	26.5	36,355	15.8
Gift packs (1)	24,829	11.4	53,407	20.0	58,830	19.1	15,865	8.3	28,714	12.5
Total	217,389	100.0	267,267	100.0	307,511	100.0	191,053	100.0	230,031	100.0

Note:

(1) Our gift packs contain a selection of our products, primarily rice cracker products, and sales from gift packs are accounted for in our rice crackers segment.

We started producing rice crackers in 1983 in Taiwan. In 1992, we began selling our products in China, making us one of the pioneers in introducing these products to the China market. We are the leading player in China's rice cracker market with 68.6% in market share for the six months ended June 30, 2007 according to the ACNielsen Report (a report commissioned by the Company). We sold 117,679 tons, 119,978 tons, 132,292 tons and 85,126 tons of rice crackers for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 respectively.

Since 2000, we have adopted a multi-brand strategy in order to market our products across a broader range of product segments and consumer groups at various pricing points. "Want Want" (旺旺®) is our core brand targeting the mid-to-high end consumer market, supplemented by other sub-brands including "Yappy" (黑皮) and "Mitailang" (米太郎) targeting the mass market. Our sub-brands are distinguished in terms of product features. The introduction of these sub-brands has allowed us to tap into a wider customer base across counties, townships and villages throughout China. Our core brand rice crackers contributed 58.8%, 59.0%, 58.8% and 71.7% of our total sales from rice crackers for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively, while our sub-brands rice crackers contributed 29.8%, 21.0%, 22.0% and 15.8% of our total sales from rice crackers for the same periods.

We have introduced different flavours of rice crackers, including sugar-coated, savoury, spicy and seaweed. In order to cater for different buying habits, our rice crackers come in a variety of single serving and family-sized packaging.

Gift packs

We produce a range of gift packs containing selections of our products, primarily rice cracker products. We first launched our "Want Want gift packs" (大禮包®) in Taiwan in the late 1980s. We subsequently introduced these products to China in 1995, targeting the market for major Chinese festivals and holidays, especially Chinese New Year. We have registered "gift pack" (大禮包®) as a trademark in China. Our gift packs contributed 11.4%, 20.0%, 19.1% and 12.5% of our total sales from rice crackers for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively.

Our gift packs are an effective way to introduce our new products to the market by packaging various products in attractive packaging with Chinese festival themes. This has proven to be a successful strategy in marketing our products during key peak seasons, and has exploited the opportunities created by rising disposable consumer income in China, especially rural areas. Over 90% of our gift packs are sold during the Chinese New Year season.

In addition, we have recently begun to expand promotion of our gift packs beyond traditional festivals, and diversify the products contained in our gift packs.

Dairy Products and Beverages

Our dairy products and beverages include flavoured milk, yoghurt drinks and ready-to-drink coffee. Dairy products and beverages contributed 26.4%, 29.5%, 32.5% and 36.4% of our sales for our Core Operations for the years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, respectively. This segment is our fastest growing segment, with a CAGR of 43% over the three years ended December 31, 2006.

The table below sets out details of our turnover from dairy products and beverages for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2004		2005		2006		2006		2007	
	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total
Flavoured milk	127,783	94.3	191,350	96.4	256,706	92.8	180,394	92.4	253,223	91.7
Other dairy products and beverages	7,761	5.7	7,177	3.6	20,048	7.2	14,909	7.6	21,921	8.3
Total	135,544	100.0	198,487	100.0	276,754	100.0	195,303	100.0	275,144	100.0

Flavoured milk

Our flavoured milk, "Hot-Kid milk", is our flagship beverage product, accounting for 94.3%, 96.4%, 92.8% and 91.7% of beverage turnover for years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively. Hot-Kid milk is a specialty dairy product fortified with docosahexaenoic acid, or DHA, and is sold at a premium price compared to other liquid milk products. DHA is widely believed to support healthy brain development especially in young children. Our Hot-Kid milk packaged in a 245ml can has been certified as a "National Health Food" (國家保健食品) by the PRC Ministry of Health, the only flavoured milk product in China to receive this certification. We market this product based on its unique flavour, healthy ingredients and attractive packaging, including our popular Hot-Kid logo.

Hot-Kid milk was launched in 1996 in original flavour and we have subsequently introduced apple and juice flavoured Hot-Kid milk. The original flavour remains the best-selling flavour. We initially marketed Hot-Kid milk to children and subsequently expanded into the young persons market, and eventually other age groups. Hot-Kid milk holds a leading market position with a 40.6% market share in terms of sales for the six months ended June 30, 2007 according to the ACNielsen Report (a report commissioned by the Company).

In order to cater to different consumer needs, our Hot-Kid milk comes in tetra-paks and cans. Our best-selling Hot-Kid milk is the 125ml tetra-pak.

Other beverages

We produce a wide range of other beverages, including yoghurt drinks and ready-to-drink coffee. Our other beverages accounted for 5.7%, 3.6%, 7.2% and 8.3% of our beverage turnover for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively.

Our yoghurt drinks include primarily "Aiyo" ( ) yoghurt drink and "0-Bubble" ( ) fruit milk drink. Aiyo was introduced in 2007 and is a probiotic yoghurt-like product designed as a healthy drink for the digestive system. "0-Bubble" fruit milk drink is non-carbonated, hence it is named "zero bubble" fruit milk. This product was introduced in 2003 with both original and strawberry flavours.

In 2003, we introduced our ready-to-drink coffee product under the brand "Mr. Bond" (Mr.Bond). In addition, we have launched different flavours of carbonated drinks.

Snack Foods

Our snack foods include candies, popsicles and jellies, ball cakes and beans and nuts. Snack foods contributed 29.1%, 29.1%, 30.3% and 32.3% of our sales for our Core Operations for the years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, respectively.

The table below sets out our sales from snack foods for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2004		2005		2006		2006		2007	
	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of Total
Candies	67,750	45.5	76,894	39.2	96,624	37.6	69,370	34.4	88,752	36.3
Popsicles and jellies	31,918	21.4	51,174	26.1	78,793	30.6	73,641	36.5	82,519	33.7
Ball cakes	27,196	18.3	36,093	18.4	49,180	19.1	35,855	17.8	43,365	17.7
Beans and nuts and others	22,060	14.8	31,801	16.2	32,717	12.7	22,961	11.4	30,030	12.3
Total	148,924	100.0	195,962	100.0	257,314	100.0	201,827	100.0	244,666	100.0

Candies

Our candies include gummy sweets and milk candies. Our candies accounted for 45.5%, 39.2%, 37.6% and 36.3% of our sales from snack foods for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively. We are the market leader in the soft candy segment in China with a market share of 28.5% for the six months ended June 30, 2007 according to the ACNielsen Report (a report commissioned by the Company).

We began producing gummy sweets in 1997. We are one of the pioneers in introducing gummy sweets to China and one of the leading gummy sweets producers in the domestic market. Our "QQ Gummy" ( ) brand was designated as a "Famous Chinese Brand" (中國名牌) by the PRC General Administration of Quality Supervision, Inspection and Quarantine in September 2007.

We currently produce a variety of flavours of QQ Gummy, including grape, strawberry, peach, pineapple and orange, with different packaging sizes.

We commenced production of milk candies in 2005, with "Hot-Kid milk chewies" (旺仔牛奶糖) as our key product. Hot-Kid milk chewies are designed to share the brand identity of our best-selling beverage product, Hot-Kid milk, and thus exploit cross-promotional opportunities across the two products. They have a similar flavour to Hot-Kid milk and are branded with our "Hot-Kid" logo. We have subsequently launched red bean flavoured Hot-Kid milk chewies.

Popsicles and jellies

Our sales from popsicles and jellies accounted for 21.4%, 26.1%, 30.6% and 33.7% of our sales from snack foods for the years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, respectively.

We began producing popsicles in 1997, and market our popsicles under our "Want Want" brand as "Want Want Popsicles" (旺旺碎冰冰) and under our "Yappy" brand as "Yappy Popsicles" (黑皮冰爆). We currently produce a variety of flavours including peach, strawberry, orange and grape, and will continue to launch new flavours to expand our product portfolio.

In 1998, we began producing jellies under our "Want Want" and "Hot-Kid" brands. Our jellies come in a variety of packaging, including single-serve "Konnyaku" jelly (蒟蒻果凍) and fruit jelly (果肉果凍). We have subsequently launched our "Rock 'n' Roll" jelly series, including "Tea Rock 'n' Roll" cup jelly (茶滾凍), "Coffee Rock 'n' Roll" cup jelly (咖啡凍) and other flavours of "Rock 'n' Roll" cup jelly (搖滾凍), which are unique in the market. In addition, we recently launched our fruit liquid jelly (果凍爽) product.

Ball cakes

We first launched our ball cakes in Taiwan in 1986. We were one of the pioneers in introducing this category of product to the China market in 1994. Our ball cakes are targeted at children, and are made from potato starch, fresh eggs, skimmed milk powder and honey. No preservatives or artificial flavouring are added. We have subsequently launched a cream milk flavour of ball cakes.

Our ball cakes accounted for 18.3%, 18.4%, 19.1% and 17.7% of our sales from snack foods for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively.

Beans and nuts and others

We began producing beans and nuts snacks in 1994. Our beans and nuts products are marketed under our "Want Want" brand. Our beans and nuts products include green pea, seaweed-flavoured peanuts and beans.

We also manufacture and distribute a wide range of other snacks, including wafer rolls ( ), "Lovely Puffs" (泡芙®) and biscuit sticks (珍棒®).

Our beans and nuts and others contributed 14.8%, 16.2%, 12.7% and 12.3% of our sales from snack foods for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively.

Others

Our other products include primarily wines. Our wine division, established in June 2001, produces liquor, wine, Japanese spirits, such as sake, and others. Our Mugiya Denzo (吟華本格麥燒酎) and Imoya Denzo (芋屋伝蔵本格芋燒酎) wines have been awarded gold medals by Monde Selection, International Institute for Quality Selections, at Brussels in 2006 and 2007, respectively. Currently, our wines are primarily targeted at export markets.

SALES AND MARKETING

Branding

We believe that our strong brand recognition and reputation have been instrumental to the success of our business. We engage in a variety of marketing and promotional activities to promote brand recognition of our products.

Since our entry into the China market in 1992, we have sought to build strong brand recognition for our core "Want Want" brand and "Hot-Kid" logo and to promote a flavourful and healthy brand image for our products. The "Want Want" name symbolizes prosperity and good fortune in Chinese, and is closely associated with Chinese festivals, including Chinese New Year and Mid-Autumn festival. We believe we are one of the most widely recognized food and beverage brands in China.

Since 2000, we have adopted a multi-brand strategy to market our products across a broader range of consumer groups and product segments. The introduction of sub-brands and other brands associated with specific categories of products has allowed us to tap into a wider consumer base with different purchasing power.

Our core brands "Want Want" and "Hot-Kid" are both targeted at mid- to high-end consumer groups. A wide range of our products are currently marketed under our "Want Want" () brand, including rice crackers, dairy products and beverages and snack foods; whereas our "Hot-Kid" () brand is currently used primarily in dairy products and beverages and snack foods. We have launched other core brands to target specific consumer groups. For example, our "Aiyo" () brand was launched in 2007 to target fruit milk products at younger generations, particularly teenagers. Other brands which are associated with specific types of products include "Mr. Bond" () for ready-to-drink coffee and "QQ Gummy" () for gummy sweets. "QQ Gummy" was designated as a "Famous Chinese Brand" (中國名牌) by the PRC General Administration of Quality Supervision, Inspection and Quarantine in September 2007.

In 2000, we launched our second-tier brand, "Yappy" (黑皮), which is targeted at the mass market. This brand is currently principally used in rice crackers and snack foods, such as popsicles and jellies. We have also launched several sub-brands, such as "Mitailang" (米太郎), to market rice cracker products, which are more affordable to a wider range of consumers.

We are constantly seeking to develop our brand and product portfolio to meet evolving consumer preferences and target key growth markets. Our sales representatives are regularly in contact with our agents, distributors and consumers to understand consumers' needs and market changes.

As "Want Want" is a well-known brand in China, we have in the past experienced, on limited occasions, counterfeiting and imitation of our products, such as rice crackers, flavoured milk and popsicles, as well as imitation of our company name and trademarks. We have incorporated certain anti-counterfeiting features into some of our product packaging. We actively monitor the market and feedback from our customers for evidence of counterfeit goods, and cooperate with local authorities to detect and prevent counterfeiting operations. The scale of counterfeiting of our products has been limited and the amounts involved were minimal. The counterfeiting of our products, therefore, has not had any material impact on our trading and financial positions.

Sales and Distribution Network

We have an extensive nationwide sales and distribution network conducted through 308 sales offices owned by us and over 15,000 independent third party wholesalers located throughout China as at September 30, 2007.

The map below shows the locations of our sales and branch offices:

We have a sophisticated sales and distribution network, comprising wholesale distribution channels and direct sales distribution channels. Our extensive sales and distribution network allows us to distribute our products throughout China. Approximately 85% of our products are sold through our wholesale distributors while the remainder are sold directly to retailers through direct sales.

The table below sets out our sales made through wholesale distributors and direct sales for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2004		2005		2006		2006		2007	
	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total	US$'000	% of total
Direct sales	85,525	16.7	100,740	15.0	125,044	14.7	87,755	14.7	113,643	15.0
Distributors										
China	353,328	68.9	490,664	73.0	646,596	76.1	447,336	75.3	574,859	76.0
Hong Kong	2,392	0.5	3,173	0.5	3,794	0.4	2,816	0.5	2,779	0.4
Other countries	71,271	13.9	77,771	11.5	74,514	8.8	56,354	9.5	65,065	8.6
Total	512,516	100.0	672,348	100.0	849,948	100.0	594,261	100.0	756,346	100.0

Note: "Other countries" include seven countries in Asia (Thailand, Singapore, Korea, Japan, Malaysia, Indonesia and Vietnam), two countries in America (Canada and USA), eight countries in Europe (Netherlands, Spain, UK, Germany, France, Italy, Russia and Malta) and two countries in Oceania (Australia and New Zealand).

Our sales offices are responsible for managing the distributors in their designated areas. Our sales offices are responsible for developing new customers, including wholesalers and retailers, and are the central point of contact for the distributors in their designated areas. This allows us to monitor the number of distributors and avoid concentration of distributors in any given area. Our sales offices are also responsible for managing the sales orders received from wholesalers or retailers.

In addition, representatives from our sales offices are required to visit the wholesalers and retailers on a regular basis to ensure that they have sufficient level of stock and that our products are sold to end-customers within the preservation period and in accordance with our pricing guidelines. Our sales office will also carry out marketing or promotional campaigns at the request of our headquarters.

Each branch office is responsible for providing administrative support to the designated sales offices in the same district.

Our five largest customers contributed in aggregate less than 30% of sales for each of the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007.

Wholesale distribution

We primarily sell our products through wholesalers, who distribute our products to other smaller wholesalers in sub-urban areas such as counties and villages. This is consistent with market practice in the food and beverage industry in China. Our wholesalers are independent third-parties and are usually local, rather than national, distributors who are primarily involved in the distribution of food and beverages. Each third-party wholesaler is responsible for building up its own sales network and contacting their own customers, which are either sub-wholesalers or retailers, who then on-sell our products to end-customers. We have multiple wholesalers in each province, reducing our reliance on any one wholesaler.

In order to expand the coverage of our wholesale network and deepen our product penetration, we established a new distribution system in September 2006 whereby our sales representatives liaise with small and medium sized retailers which are not covered by our current wholesale distribution network. Under this approach, each of our sales representatives is assigned a standard route covering points-of-sale including local supermarkets, small independent stores, restaurants, schools, transportation hubs, tourist spots, retail kiosks, entertainment centres and internet cafés, and obtains sales orders from these points-of-sale directly. These sales orders are then passed to a select group of distributors who are responsible for providing logistics support such as the delivery of goods to these retailers. The use of distributors to distribute our products to points-of-sale allows us to take advantage of the capability of the distributors and minimize our costs of establishing and operating our own logistics system. Distributors are selected based on their capability and reliability in providing logistics support for the distribution of our products to the points-of-sale. In addition, the distributors are required to ensure that they have sufficient products in stock and deliver our products to the points-of-sale in a timely manner.

The extensive character of this new distribution channel is designed to cover those points-of-sale which our current wholesalers are not able to cover. It allows us to increase our market penetration and launch new products to the market in a shorter timeframe. In addition, it also reduces our dependence on our current customer base of wholesalers and enables us to have stronger control over end retailers, as well as negotiating the retail prices directly with the retailers.

Our standard distribution agreements usually have a term of one year and are renewable on a yearly basis.

Under the terms of our distribution agreements, our distributors are not permitted to sell competing products in their designated distribution areas. Distributors are required to follow our pricing guidelines within their distribution areas. We set minimum monthly sales targets and distributors are required to attain such targets. We also set a maximum supply amount and may refrain from supplying goods to the distributors if the level of stock is over the standard stipulated in the agreement. All sales are recorded in our inventory management system, which allows us to monitor the level of sales and inventory of our independent third-party wholesalers. In addition, representatives from our sales offices visit the wholesalers on a regular basis to ensure that they have sufficient level of stock and that our products are sold to end-customers within the preservation period and in accordance with our pricing policy. All our products are delivered to wholesalers in China on a cash-on-delivery basis, which also provides them an incentive to distribute our products on a timely basis rather than accumulating as inventory on hand.

Our distributors in China are entitled to return any defective products to us at the original price. Distributors will be refunded a discounted amount of the wholesale price at which they purchased the products from us for any other unsold products returned to us. The discounted price is determined by either of the following two ways: (i) 97% of the original price is paid to a distributor if the relevant return product certificate issued by the tax bureau is provided to us; or (ii) 80% of the original price is paid to a distributor if such tax bureau certificate is not provided. Returned goods are deducted from our sales revenue.

Our distribution agreements are terminable by us immediately upon the giving of notice to the distributors. The distributors are required to give at least one month's notice before they can terminate the agreement.

Direct sales

We also sell our products directly to modern retailers, mainly supermarkets, hypermarkets, chain stores and convenience stores, who then on-sell our products to end-customers. Our sales representatives are responsible for approaching and obtaining sale orders directly from retailers and arranging for distribution of our products to them. For major retailers with nation-wide networks in China, annual contracts are negotiated and entered into directly with their headquarters in China.

We work closely with retailers and have been granted access to the online sales and inventory control systems of some of our major direct sales customers, which allows us to monitor and obtain the latest information on sales volume and inventory level of our products at the retail stores.

Our standard merchandise contracts with direct sales customers usually have a term of one year and are renewable on a yearly basis.

In order to maximize our sales volume, we provide various discounts to direct sales customers as incentives to increase their purchase volume of our products, and carry out promotional events, such as special display, commercial events and promotional campaigns. We provide discounts to retailers in order to have our products on sale in a maximum number of stores so as to increase our market share and expand our distribution coverage.

The merchandise contracts are terminable by either party upon the occurrence of certain specified events, with written notice to the other party. These termination events include when the party is prevented from performing its obligation by reasons of force majeure, when the party enters into bankruptcy or insolvency and when the performance of the contract has become in any material respect commercially impracticable.

Relationship with distributors

All our products are sold to the end-customers through wholesale distributors or modern retailers under our direct sales channel, and we do not sell directly to end-customers. Our independent third-party wholesalers are usually local, rather than national, distributors and are primarily involved in the distribution of food and beverages. Our products are also sold directly to modern retailers, mainly supermarkets, hypermarkets, chain stores and convenience stores. In the years ended December 31, 2004, 2005 and 2006, we had 10,095, 12,177 and 14,068 distributors, respectively. As at September 30, 2007, we had over 15,000 distributors covering all provinces in China. The number of new distributors from 2004 to 2005 was 2,082, from 2005 to 2006 was 1,891 and from December 31, 2006 to September 30, 2007 was 1,652.

All sales made through wholesale channels in China are on a cash basis, or in some cases cash in advance, whereas those made through direct sales channels are on credit. We usually provide credit terms of 60 days to both our domestic and international direct sales customers. All trade receivables are settled by our direct sales customers by bank transfer. The title of goods is passed to the customer, and the sales are recognized as revenue in our income statement, when the products have been delivered to the customer and the customer has accepted the products.

Distributors in China may be allowed to return perished goods to us for rebate or exchange. Any returned goods are deducted from our sales revenue. For each of the three years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, the amounts of sales returns from distributors, including return of defective products and unsold products, were US$4.78 million, US$3.75 million, US$5.33 million and US$5.35 million, respectively, which represented approximately 0.9%, 0.6%, 0.6% and 0.7% of the total sales for the same periods, respectively.

Our debtors turnover days for our Core Operations for the years ended December 31, 2004, 2005, 2006 and nine months ended September 30, 2007 were 31 days, 26 days, 23 days and 19 days respectively. The decreasing trend is due to our improved ability to negotiate and achieve better credit terms from customers, and improved debtor collection practices with our direct sales customers.

We record a provision for impairment of trade and other receivables when there is objective evidence that we will not be able to collect the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or undergo financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision for impairment is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the original effective interest rate. Our impairment provisions for bad and doubtful debts for our Core Operations as at December 31, 2004, 2005 and 2006 and September 30, 2007 were US$782,000, US$723,000, US$1.0 million and US$2.4 million, respectively. These provisions were made to the extent that the receivables' carrying amount could not be recovered from the present value of estimated future cash flows of the relevant debtor balances.

We require our wholesaler distributors to have an established sales network to sell our products within their designated distribution areas and to meet our sales targets. In addition, we also require them to have sufficient warehouse facilities and transportation capability. As for those distributors operating under our new distribution system, we also require them to have the capability to deliver our products to the designated points-of-sale covered by them within specified timeframe. Where products are sold to modern retailers under our direct sales channels, we require the retailers to have a large sales turnover, a well-established management system and stable financial condition.

We require all our wholesaler distributors to meet pre-determined sales targets, which are determined by reference to various criteria, including past performance. We provide sales rebates to our wholesaler distributors for achieving sales targets. For each of the three years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, the amounts of sales rebates paid to distributors were US$5.08 million, US$6.25 million, US$6.27 million and US$6.56 million, respectively which represent approximately 1.0%, 0.9%, 0.7% and 0.9% of our total sales for the same periods, respectively. Sales rebates are deducted from our sales revenue. We do not pay commission to our distributors, nor do we require our distributors to provide a lump sum to guarantee their obligations.

We maintain long-term relationships with our wholesaler distributors. Approximately 22% of wholesaler distributors have worked with us for less than two years, 31% for two to five years, 39% for five to eight years and 8% for over eight years. None of our wholesaler distributors have terminated relationships with us for financial reasons during the three years ended December 31, 2006 and the nine months ended September 30, 2007.

Advertising and Promotion

We increase consumer awareness of our brands and products through our advertising and promotional activities. Our advertisements are designed to promote our brands and products consistent with our corporate image and culture.

We focus in particular on television advertising that allows us to reach a wide consumer audience. In order to deliver our message effectively to consumers, we purchase leading prime time advertising slots on television networks including China Central Television (CCTV) as well as national and provincial satellite and cable channels. We also purchase off-prime time television advertising slots, such as during daytime children's programmes, on national and local television networks to target specific consumer groups.

We vary the frequency of our television advertising depending on whether the product is mature or newly launched, and to build and maintain our market presence. In addition, we launch advertising campaigns for seasonal products, such as popsicles and Chinese New Year gift packs, during the relevant seasons to increase sales.

We occasionally make use of other advertising channels such as advertisements in newspapers and lifestyle magazines and product brochures. During promotional events our sales representatives are stationed at major retail outlets to promote our products and collect feedback directly from customers. We also collaborate with retailers by installing in-store displays featuring our logos during Chinese festival seasons to reinforce our brand image and strengthen association of our products with these festivals.

The promotion and advertising expenses of our Core Operations for the years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007 were US$19.83 million, US$21.63 million, US$27.72 million and US$22.01 million, representing 3.9%, 3.2%, 3.3% and 2.9% respectively of the total sales of our Core Operations for the respective periods.

Seasonality

The sales of some of our products are subject to seasonality. For example, we typically experience higher sales of our rice crackers, snack foods and gift packs during traditional Chinese festival and holiday seasons, including Chinese New Year and Mid-Autumn festival. Our beverage and popsicle products have higher sales during summer. Sales can also fluctuate during the course of a financial year for a number of other reasons, including timing of the launch of new products and the timing of advertising and promotional campaigns. However, given the diversity of our product offerings, we do not believe that seasonality has any material effect on our results of operations as a whole.

RAW MATERIALS AND SUPPLIERS

Raw materials

Our primary raw materials are rice, milk powder and sugar, as well as packaging materials and consumables. The cost of our raw materials used for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 was US$217.36 million, US$319.53 million, US$420.72 million and US$359.06 million, respectively. Raw materials (including packaging materials) constituted 68.9%, 77.0%, 79.5% and 78.5% of our cost of goods sold and 42.4%, 47.5%, 49.5% and 47.5% of sales for the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively.

For the year ended December 31, 2006, our costs of raw materials, packaging and consumables used was US$420.72 million, an increase of 31.7% over the costs of raw materials of US$319.53 million for the year ended December 31, 2005. Such an increase was primarily attributable to changes in the composition of our product mix arising from increases in the sales volume of our dairy products and beverages by 36.6% from 196,311 tons in 2005 to 268,168 tons in 2006 and increases in the sales volume of snack food by 34.1% from 149,110 tons in 2005 to 199,885 tons in 2006.

For the year ended December 31, 2005, our total costs of raw materials, packaging and consumables used was US$319.53 million, an increase of 47.0% over the total costs of raw materials of US$217.36 million for the year ended December 31, 2004. Such an increase was primarily attributable to increases in the sales volume of our dairy products and beverages by 46.2% from 134,296 tons in 2004 to 196,311 tons in 2005 and increases in the sales volume of snack food by 41.2% from 105,639 tons in 2004 to 149,110 tons in 2005.

Our cost of sales as a percentage of sales during the three years ended December 31, 2004, 2005 and 2006, and the nine months ended September 30, 2007, was 61.6%, 61.7%, 62.3% and 60.5%, respectively. During the same periods, raw materials, packaging and consumables used accounted for 42.4%, 47.5%, 49.5% and 47.5%, respectively, of our total sales. Thus, despite these increases in the cost of raw materials, packaging and consumables used, we have been able to manage our overall costs and exercise control over our selling prices to maintain our total costs of sales stable in relation to our total sales.

We procure a majority of our raw materials in domestic markets, with the remainder being procured from other countries, such as New Zealand. The amount of raw materials that we purchased from local suppliers for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 amounted to 73.9%, 70.5%, 71.6% and 80.8%, respectively, of our total raw materials costs, with the remainder being procured from overseas.

We have centralised a majority of our raw materials procurement to enjoy economies of scale and maximize our bargaining power with suppliers. This approach enables us to enjoy competitive prices. The raw materials are delivered directly by the suppliers to each of our factories so as to enhance time and cost efficiency. In order to ensure the quality of our raw materials, as well as to control our transportation costs, some raw materials, such as eggs, are ordered by individual factories locally.

All raw materials delivered by suppliers to our factories are inspected before acceptance to ensure that they comply with the national standards as stipulated by the PRC General Administration of Quality Supervision, Inspection and Quarantine. In addition, we also have our own internal standards which are in certain aspect stricter than the national standards. We assess the quality of raw materials based on both qualitative and quantitative elements, such as the appearance, hygiene standard and the chemical content of the relevant raw materials. Raw materials that fail to comply with our standards and the national standards are returned to the suppliers.

Rice

We procure all of our rice from various domestic suppliers, principally from north-east China. We strive to obtain high quality rice for the production of our products, and we believe that this differentiates our rice crackers from those of our competitors.

We select our rice suppliers through a tender process and, depending on the market conditions, the duration of most of our supply contracts for rice are for less than one year. The price and the estimated quantity are fixed under the contract. This ensures that we have a sufficient supply of rice for our production needs. In the years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, we procured our rice from 7, 6, 6 and 7 suppliers, respectively.

Milk powder

We use antibiotic-free milk powder in the production of our products. All milk powder delivered to our factories undergoes sample-testing to ensure that they are antibiotic-free. Milk powder that fails to pass such testing is returned to the suppliers.

As at December 31, 2004, 2005 and 2006 and September 30, 2007, we procured our milk powder from nil, 2, 2 and 3 domestic suppliers and one overseas supplier, respectively. We enter into annual supply contracts with a supplier in New Zealand for milk powder. Both the price and volume are fixed under these contracts. We also purchase a small amount of milk powder from domestic markets at spot prices. We also enter into supply contracts with domestic suppliers on an individual basis. Both the price and volume are fixed under these agreements with the delivery date specified. For the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 2007, milk powder imported from New Zealand amounted to 100%, 91.8%, 88.7% and 53.2% of the total volume of milk powder used, with the remainder sourced domestically.

We established subsidiaries in Xinjiang and Inner Mongolia provinces of China in 2004 and 2005 respectively, for the production of milk powder. These subsidiaries source fresh milk from local farmers, pursuant to contracts for the supply of a minimum fixed amount of milk at variable prices. Our contracts with local farmers have a term of one year and are renewable on a yearly basis. As at December 31, 2005 and 2006 and September 30, 2007, we sourced our fresh milk from 1, 27 and 148 farmers, respectively. We did not source any fresh milk during the year ended December 31, 2004 as our production of milk powder had not yet commenced. Our milk sourcing arrangements ensure that we have a reliable and economical supply of milk to manufacture milk powder. We are currently establishing additional milk powder manufacturing subsidiaries in Ningxia and Hebei provinces of China and we expect these projects to be completed in 2008. These projects are, and will be, funded by our internal resources and proceeds from the Global Offering. These subsidiaries will help diversify our supply sources for milk powder. The capacity of these subsidiaries, once completed, will be sufficient to cover all our milk powder supply should we be unable to obtain supplies from third-party suppliers.

Sugar

Sugar is a commodity generally available from numerous suppliers, and we generally procure our sugar from domestic suppliers, principally from Guangxi province, on the spot market. We usually enter into short term supply contracts, ranging from one to six months, with various suppliers to ensure that we obtain the most competitive prices. In the years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, we sourced sugar from 15, 17, 18 and 20 different suppliers, respectively.

Other raw materials

Apart from rice, milk powder and sugar, the other primary ingredients in our products include palm oil, potato-starch, flour and gelatine. These raw materials are available from numerous suppliers. We generally procure these raw materials from domestic suppliers to reduce transportation costs, although we do source some raw materials from overseas suppliers. We continuously monitor supply and cost trends of these commodities to take appropriate action to manage the cost and supply of raw materials.

Water

Water is one of the primary raw materials in the production of our dairy products and beverages and, to a lesser extent, our other products. For the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, we consumed approximately 1.40 million tons, 1.57 million tons, 1.42 million tons and 1.37 million tons of water, respectively.

We obtain our water supply from tap water supplied by water supply companies controlled by relevant local governments. As water is a public utility regulated by the PRC government, its supply to us has been highly reliable as of the Latest Practicable Date. We have not experienced any water shortage which has affected our production process in the years ended December 31, 2004, 2005 and 2006 or the nine months ended September 30, 2007, and we do not expect this to happen in the future. We also do not consider there to be any need for alternative sources of water supply, although we will continually monitor our overall water supply, particularly as we expand our production.

Any increase or decrease in the price of water is subject to the approval of local price control bureaux. The price of water has remained relatively inexpensive and stable in the past. In each of the three years ended December 31, 2004, 2005 and 2006, and the nine months ended September 30, 2007, water has accounted for less than 3% of our total cost of sales.

We have extensive procedures to process the water supplied to us before it is used in production. To ensure that the quality of our water meets the standards laid down by relevant PRC laws and regulations, all water used by us undergoes quality checks in each location.

We have not experienced any problems with water quality in the past. We have not received any complaints nor been subject to any penalty in connection with the quality of our water in the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 or, subsequently, up to the Latest Practicable Date.

Packaging materials
We package our products in various sizes and varieties of tetra-pak, can, plastic, plastic film and paper. The raw materials used in our packaging production include steel, plastic film and paper as well as tetra-pak packaging. Our tetra-pak packaging is supplied by Tetra Pak, a leading global supplier of beverage packaging materials and equipment. Our other packaging raw materials are supplied by a variety of domestic suppliers. In the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, we sourced our packaging materials from 26, 30, 32 and 37 different suppliers, respectively.

We produce most of our packaging materials to minimize the packaging costs of our products through vertical integration, and to control the quality and costs of our packaging materials. We also outsource part of the production of our plastic and carton packaging and steel cans when necessary.

The costs of our packaging materials for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, were approximately US$93.3 million, US$139.9 million, US$191.2 million and US$169.1 million, respectively, accounting for approximately 29.6%, 33.7%, 36.1% and 36.9% of our cost of sales, respectively.

Suppliers
Our established long-term relationships with the suppliers of our principal raw materials, including rice, milk powder and sugar, and our steady demand for large quantities of these raw materials, enable us to manage the quality, quantity and price of our raw materials. As at December 31, 2004, 2005 and 2006 and September 30, 2007, we had a total of 71, 83, 88 and 105 suppliers, respectively, of different raw materials for our production. Most of our suppliers have maintained a relationship with us for over five years. We have a stable supply base and, other than for milk powder, for which we are seeking actively to diversify our supply, we are not dependent on any single supplier.

We maintain a list of qualified suppliers for each of our principal raw materials and periodically invite them to tender for supply contracts. Each of the new suppliers is required to pass our internal quality control procedures, which involve provision of samples for testing and trial production, before they are invited to participate in the tender process. In order to meet our production needs, our suppliers are also required to have sufficiently large production scale, good reputation and the ability to deliver quality products on time.

All the goods provided by our suppliers must meet our quality standards and the standards set by the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China. The packaging of the goods must comply with standards set by the relevant governmental department and those required by us.

Our domestic suppliers usually provide us with a credit term of 15 to 45 days whereas our overseas suppliers usually provide us with a credit term of 60 days. We usually settle our trade payables by bank transfer or, for overseas suppliers, letters of credit and telegraphic transfers. Our turnover of trade payables for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 was 40 days, 62 days, 64 days and 39 days, respectively. Account payable days increased from 2004 to 2006 due to our improved ability to achieve better credit terms from suppliers. Account payable days for the nine months ended September 30, 2007 is not a year-end number and thus is not directly comparable to the year ended December 31, 2006.

Our five largest suppliers constituted in aggregate less than 30% of our total purchases for each of the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007.

OUR PRODUCTION PROCESS AND FACILITIES

Production facilities and production capacity

We manufacture all of our own products and, as at September 30, 2007, we had a total of 31 production bases and 90 factories in operation.

The following table sets out the number of production lines for our major product segments and their annual production capacity as at and average utilization for the periods shown:

Products	Year ended December 31, 2004 Production Lines	Production Capacity(1) (tons)	Actual Production Volume (tons)	Average Utilization(2) (%)	2005 Production Lines	Production Capacity(1) (tons)	Actual Production Volume (tons)	Average Utilization(2) (%)
Rice Crackers	49	167,785	111,769	66.8	55	181,528	113,968	63.2
Dairy products and beverages	15	270,072	136,660	69.8	23	311,441	194,153	85.6
Snack foods	98	247,453	106,015	53.0	119	275,366	166,301	63.0
Others	3	6,990	4,229	60.5	3	6,990	4,089	58.5
Total	165				200			

Products	Year ended December 31, 2006 Production Lines	Production Capacity(1) (tons)	Actual Production Volume (tons)	Average Utilization(2) (%)	Nine months ended September 30, 2007 Production Lines	Production Capacity(1) (tons)	Actual Production Volume (tons)	Average Utilization(2) (%)
Rice Crackers	59	192,640	125,153	65.5	59	144,480	81,764	56.6
Dairy products and beverages	49	664,620	279,459	67.5	49	498,465	254,215	70.7
Snack foods	174	428,308	207,250	57.1	177	330,868	213,992	64.8
Others	3	6,990	3,998	57.2	3	5,543	3,453	62.3
Total	285				288			

Notes:

(1) Production capacity is calculated on the basis of 22 hours per day, 22 days per month, and 12 months per year.

(2) Utilization rate is calculated based on actual hours used for each of the year ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 divided by the total production capacity as at December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively.

Average utilization for our rice crackers, snack foods and others has remained relatively stable, while average utilization for our dairy products and beverages declined sharply in the year ended December 31, 2006 as we brought on-line additional production capacity to cater for increased demand.

The map below shows the locations of our production facilities:

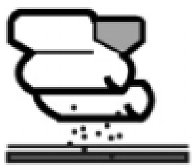
Production process

We set out below the typical production processes for certain of our key products.

Rice Crackers

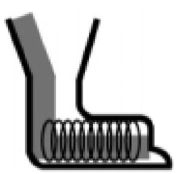
The typical production process of our rice cracker products is as follows:

Raw material — Rice
The key raw material for the rice cracker production process is rice.



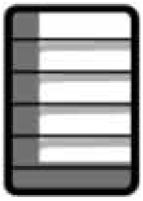
Flour
The rice is ground into a rice flour of appropriate granularity and consistency.

Dough - making
The rice flour is processed at the appropriate temperature and for the appropriate time to form a rice dough.



Kneading
The rice dough is kneaded using specialist equipment to the ideal elasticity for shaping.

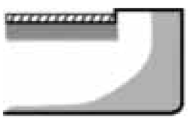
Shaping
The rice dough is pressed into the desired sizes and forms using automated equipment.



Drying
The rice dough is dried through different temperature intervals to maintain the water content at the required level.

Baking
The rice dough is placed into the oven for baking for specified times at specified temperatures.

Flavouring
The finished goods are coated with flavouring.



Packaging
The finished goods are packaged using an automated process.

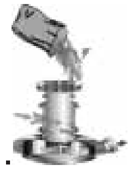
Finished product

The total production time of our rice cracker products is approximately three days, and the products have a preservation period of nine months.

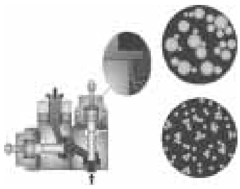
Hot-Kid Milk

The typical production process of our Hot-Kid milk products is as follows:

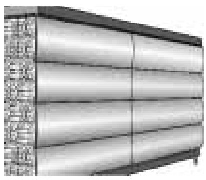
Raw material — Milk
We use full-fat antibiotic-free milk powder as the raw material for our Hot-Kid milk.



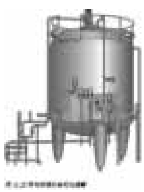
Mixing
The raw materials including milk powder, water and sugar, are thoroughly mixed.



Homogenization
The product undergoes high pressure two-stage homogenisation to improve the stability and consistency of the milk product and ensure it remains stable upon storage, distribution and standing.



UHT
The product undergoes ultra-high-temperature, or UHT, sterilization to ensure no contamination and produce sterile semi-finished products.



Filling
The semi-finished product is further processed with aseptic filling technology into our Hot-Kid milk. Aseptic filling involves the packaging of our liquid products in a sterile environment to avoid contamination by air particles or micro-organisms.

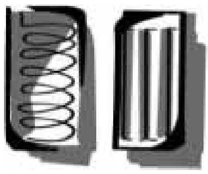
Finished product
Our finished product is packaged in cans or Tetra-Paks. Prior to delivery, our Hot-Kid milk undergoes inspection and testing to ensure product quality.

The total production time of our Hot-Kid milk products is approximately 2 hours, and the products have a preservation period of twelve months.

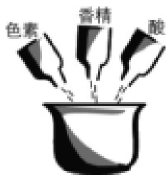
Gummy Sweets

The typical production process of our gummy sweets products is as follows:

Melting
White sugar is first mixed with maltose syrup and then gelatine fluids and melted.

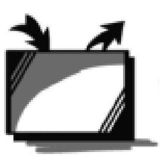


Vacuum concentration
The mixture is subject to vacuum concentration to evaporate certain of the water content and condense the sugar mixture.

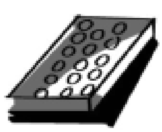


Colouring and flavouring
Colouring and flavouring is added to the mixture in the appropriate proportions.

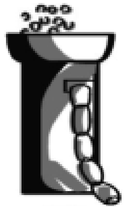
Injection moulding
The mixture goes through injection moulding to be formed into the desired shapes and sizes.



Drying
The mixture is placed in the furnace for drying.



Demoulding
The sweets are removed from their moulds, and coated in an edible oil.



Packaging
The sweets are packaged.

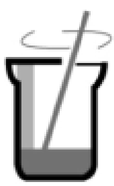
Finished product

The total production time of our gummy sweets products is approximately 32 hours, and the products have a preservation period of twelve months.

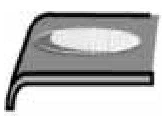
Ball cakes

The typical production process of our ball cake products is as follows:

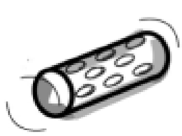
Raw materials – Potato starch
The key raw materials of our ball cakes include potato starch, honey, eggs and milk powder.



Mixing
The raw materials are thoroughly mixed.



Cutting
The mixture is rolled and cut, to ensure the product has the appropriate size and texture.



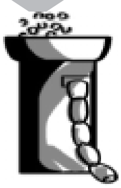
Rolling
The mixture is rolled using special-purpose equipment to form the unique ball-shapes of our ball cake products.

Baking

The products are baked in our ovens at the appropriate temperature and for the appropriate time, to ensure that they have the necessary taste, appearance and texture.

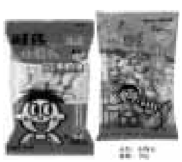
Cooling

The baked products are gently cooled.



Packaging

The ball cakes are packaged.

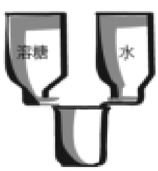


Finished product

The total production time of our ball cake products is approximately 1.5 hours, and the products have a preservation period of nine months.

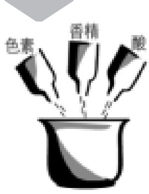
Popsicles

The typical production process of our popsicles is as follows:



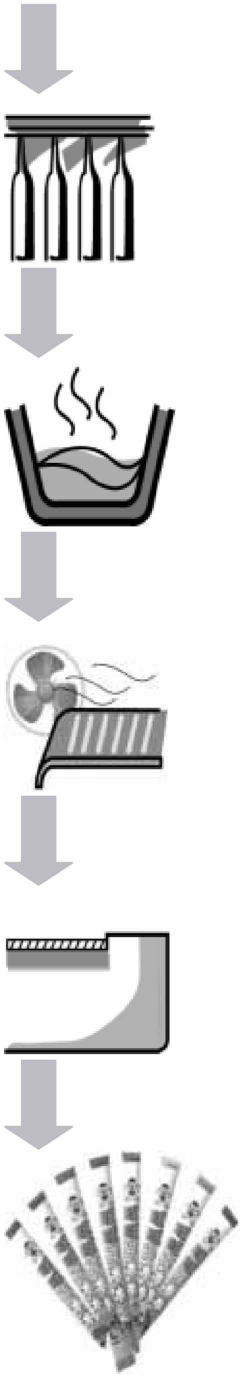
Mixing of ingredients

The primary raw materials, including sugar, milk powder and other ingredients, are mixed.



Colouring and flavouring

Purified water which has undergone a two-stage purification process is added to the mixture, together with natural flavourings and colourings.



Filling
The liquid mixture is filled into its packaging on an automatic production line.

Sterilization
After filling, the products are subject to sterilisation at a certain temperature, to ensure there is no contamination in the product.

Cooling
The sterilized products are cooled to room temperature.

Packaging
The cooled products are packaged together using automatic equipment into their final packaging.

Finished product

The total production time of our popsicles is approximately 2 hours, and the products have a preservation period of 18 months.

Maintenance
We have implemented a comprehensive maintenance system for our equipment and facilities, including scheduled downtimes for maintenance and repairs, and regular inspections of production facilities and equipment, in order to run our production lines at optimal levels. We carry out routine maintenance periodically to maintain our production lines and prolong the useful life of our equipment. Our different production lines and equipment have different maintenance schedules and we optimise our production capacity by scheduling major maintenance work during the low season for the relevant products' production lines. We have not experienced any material or prolonged interruptions of our facilities due to equipment or machinery failure.

LOGISTICS AND INVENTORY

Inventory

The inventory of our Core Operations primarily consists of finished goods, goods in transit, work in progress for rice crackers, dairy products and beverages, snack foods and other products, as well as raw materials and packaging materials. We maintain a safety inventory level of three days' production volume at the warehouse facilities of our factories, while our sales offices maintain between 10 and 15 days' sales volume as a safety inventory level. Our safety inventory levels will vary according to season and the regional requirements of our factories and sales offices. Our overall inventory levels are adjusted based on the season, our sales plans and the production plans of our business departments, as well as our logistics resources. Our raw materials inventory is determined based on the season, our sales plans and production plans, and is actively monitored and adjusted by our procurement department based on our procurement arrangements and the levels of goods being despatched by our suppliers.

Our inventory turnover days for each of the years ended December 31, 2004, 2005 and 2006 were 119, 125 and 117, respectively. Inventory turnover days increased slightly from 2004 to 2005 because of an increase in the cost of raw materials and packaging, in particular, an increase in the cost of milk powder. Inventory turnover days decreased in 2006 because we have been building our own production facilities for milk powder and packaging, which decreased our cost of raw materials and packaging and also decreased our need to purchase in bulk. For further information, please see the section headed "Financial Information—Inventory Analysis" in this prospectus.

We make a provision for inventory for the shortfall between cost and net realizable value of inventories. In addition, we also assess inventory provisions on major inventory items and specific provisions are made where necessary. Our provisions for impairment of inventories for our Core Operations during the three years ended December 31, 2004, 2005 and 2006 and for the nine months ended September 30, 2007 were approximately US$1.8 million, US$2.1 million, US$3.3 million and US$3.3 million, respectively. The provisions were estimated by our management by comparing the carrying amount and net realizable value of the inventory. The provision for impairment of inventories is made in accordance with Hong Kong Financial Reporting Standards.

The slow-moving inventories are categorized according to the nature and provision is made to the extent that the net realizable value is lower than the cost.

All our products are sold on a first-in-first-out basis. The details of our products, including the preservation period, are recorded on our inventory management system, which enables us to realize and write off any obsolete products. We also write off any obsolete products which are returned by distributors. In addition, representatives from our sales offices are required to visit our wholesalers on a regular basis to ensure that our products are sold to end-customers within the preservation period.

Inventory Management

We have internally developed our own Want Want Sales and Inventory Management System, or WSIM, to control the logistics and warehousing of our raw materials, semi-finished goods, finished goods and packaging materials. This system links all our sales branches and factories, and enables us to monitor the status of sales and inventories. Our warehousing department uses the WSIM to manage inventory and warehousing across all of our factories and subsidiaries. In relation to transportation, the WSIM contains transportation records for all our factories and subsidiaries and assists us to manage logistics across the Group.

We are currently in the process of upgrading our systems to a system provided by SAP AG, which will provide the backbone for a complete enterprise system, supporting our daily business and financial operations as well as strengthening our logistics and warehousing procedure. The first phase of implementation will involve the establishment of a sales system, covering our sales branches and factories. The second phase will include our production operations. After the system is fully implemented, we expect to improve the centralization and integration of our information systems, enabling, for example, closer integration with our sales functions, more accurate logistics planning and improved transport budgeting. We have already implemented this new SAP system on a trial basis for our subsidiaries in Shanghai and Hangzhou, and expect to complete the entire first phase of implementation within the next five years.

Mr. Su Hong-Chieh, the director of our logistics department, is responsible for overseeing logistics management in our Group.

Our sales and inventory management systems have not in the past experienced any breakdowns or other disruptions having a material adverse affect on our operations or financial condition.

Transportation

We outsource substantially all of our product transportation in China to independent third-party logistics companies. These outsourcing arrangements allow us to reduce our capital investment and reduce the risk of liability for transportation accidents, delivery delays or loss. We also maintain a small number of vehicles for delivery of goods that are required on an urgent basis. For each of the two years ended December 31, 2005 and 2006 and the nine months ended September 30, 2007, we had a total of 57, 65 and 63 vehicles respectively for such purposes. For the year ended December 31, 2004, our product transportation was entirely outsourced to third-party logistics companies and therefore we did not maintain any vehicles during this period.

All of our logistics providers are independent third parties. We have long-term relationships with a large number of third-party logistics providers. The majority of our products are delivered by trucks with the remainder being delivered by rails from our production facilities to our distributors' warehouses. For each of the two years ended December 31, 2005 and 2006 and the nine months ended September 30, 2007, we engaged a total of 311, 307 and 324 third-party logistics companies, respectively. The majority of third-party logistics companies have provided services to us for over three years.

We select our logistics providers through a tender process. We enter into annual supply contract with logistics companies. We review and assess the performance of our logistics providers on a monthly basis according to key performance indicators. We discuss with our logistics providers the results of our assessment and the areas that they may need to improve on. Under the terms of the contracts, we are entitled to terminate the contracts with our logistics providers if they fail to meet our standards and requirements.

Warehousing

Our inventory comprises raw materials, semi-finished and finished products and packaging materials. We store our inventory primarily in rented warehousing facilities which we manage ourselves. As at December 31, 2004, 2005 and 2006 and September 30, 2007, the total number of warehouse facilities that we leased was 52, 99, 94 and 54, respectively, with a total gross floor area of 189,105 square meters, 195,008 square meters, 295,085 square meters and 205,053 square meters, respectively. In addition, we owned 9, 14, 16 and 17 warehouse facilities with a total gross floor area of 37,721 square meters, 61,136 square meters, 64,361 square meters and 70,722 square meters, respectively, for the same periods. Most of our warehousing facilities are in close proximity to our factories and points-of-sale.

We manage our inventory levels based principally on expected demand patterns and the volume of sales orders. We stockpile raw materials when necessary, such as in anticipation of peak seasons, to ensure sufficient supplies of raw materials for our anticipated production. Our provisioning of inventory is determined by reference to the expected sales, particularly in anticipation of peak seasons.

QUALITY CONTROL

We adhere to a strict quality control system over our entire operations, from sourcing of raw materials to processing, packaging and inventory storage, to sales and distribution.

We have obtained HACCP and ISO 9000 certifications for the majority of our factories, including all those factories which manufacture products for export.

HACCP (which stands for "Hazard Analysis and Critical Control Points") is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. HACCP certification is required for export of food products to certain countries.

ISO 9000 is a set of standards and guidelines relating to quality management systems, and represents an international consensus on good quality management practices. ISO 9000 is maintained by the International Organization for Standardization, or ISO, and is administered by accreditation and certification bodies. Our certification to ISO 9000 standard certifies that consistent business processes are being applied, and provides an objective standard against which third parties can assess the quality of our management and production processes.

The HACCP and ISO 9000 certifications are voluntary, not compulsory, standards. All of our factories which produce products for export have obtained such certifications. However, given that there are additional expenses involved in obtaining and maintaining such standards, we do not maintain such standards for all of our factories, in particular smaller factories, considering it is neither necessary nor economically justifiable.

We have Halal certification which indicates those of our food products which are safe for consumption in accordance with Islamic practices. In addition, we are capable of manufacturing in accordance with Kosher standards, primarily for our products exported to Israel.

In addition, we have satisfied all quality control measures as required by the PRC General Administration of Quality Supervision, Inspection and Quarantine, or AQSIQ which is necessary to be permitted to sell our food and beverage products in China. We are also subject to periodic and random inspections by PRC government authorities to assess the quality of our products and production facilities.

We have a dedicated department responsible for conducting regular internal audits to ensure our compliance with the above standards. In addition, certain of our other certifications including our HACCP and ISO 9000 certifications are subject to annual independent audits by third parties.

Our "QQ Gummy" brand has been designated as a "Famous Chinese Brand" (中國名牌) by the AQSIQ in September 2007. As a result of this designation, such product does not require quality surveillance inspection by AQSIQ for a three-year period.

These certifications demonstrate that our quality management system meets domestic and international standards and attest to the superior quality of our products.

Our quality control system covers the following:

- *Raw material control:* We have implemented a raw material control system whereby all raw materials delivered to our production facilities are sampled for testing before they are accepted. Testing is conducted in accordance with, and in certain aspects is stricter than, the testing required by the standards set by the PRC government. These standards include, for our primary raw materials, "PRC National Standards — Rice (GB1354-86)", "PRC National Standards — Whole milk powder, skimmed milk powder, sweetened whole milk powder and flavoured milk powder (GB 5410-1999)" and "PRC National Standards — Refined Sugar (GB 317-2006)". These standards set out the required nutrient content, water content, hygiene standards and maximum permitted levels of contamination for these materials, as well as criteria for categorisation of different grades and testing standards.

- *Quality of water:* Water is an important ingredient of our products. In order to maintain the quality of our products, we have established and developed water quality standards with reference to the National Drinking Water Standards. All water we use for production must meet these standards.

- *Process control:* We have implemented a series of product standards for different products in our production facilities. We set up sampling checkpoints at various stages of our production process in order to ensure that the production process is in order.

- *Product quality:* Our quality control teams perform routine product inspection and sample testing at each of our production lines. We carry out quality control at each stages of our production process with varying frequency according to the relevant product specifications.

All of our products undergo inspection at each stage of the production process, as well as post-production inspection and final checking before distribution for sale. Products in storage or in the course of distribution are also subject to regular quality audits and we have standards in place for storage conditions. We have implemented a system whereby details of the entire production process for each individual product, from raw materials to production, warehousing, transportation, and finally to end-consumers, is recorded. This system allows us to ensure that any defective products can be traced and if necessary rectified on a timely basis.

We have adopted strict hygiene standards at all of our production facilities. All production employees are required to wear production uniforms, working caps and shoes. Access to our production plants is controlled and each individual employee is assigned to a designated post within the production plant.

For each of the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, our quality control team comprised 415, 552, 639 and 730 staff, respectively.

Our company policy requires all quality complaints to be resolved promptly upon receipt. All customer complaints are directed to and handled by our headquarters in Shanghai. We have a dedicated team of customer service personnel and maintain a customer service hotline to ensure a timely response to all customer concerns. Our company policy requires all customer concerns to be addressed within 24 hours of receipt.

During the three years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, and as at the Latest Practicable Date, we did not experience any customer complaints or make any payment of sums for complaints having a material adverse effect on our business or results of operations.

RESEARCH AND DEVELOPMENT

We have a dedicated research and development team responsible for improving the range and quality of our products. Our product development process focuses on improving and developing our existing product lines, including quality improvement and introduction of new flavours, as well as identifying new products in overseas markets and localizing them for the Chinese market. Our sales representatives also provide us timely and direct customer feedback to assist our product development.

Our product development process is focused and market-oriented. We carry out a thorough market analysis prior to launching new products. We assess consumer preferences, and test flavours and textures of our new products to ensure new products suit consumers' tastes. We also conduct cost-benefit analyses on our new products and aim to optimise our existing production facilities where possible for the production of our new products. Our new product launches are scheduled in accordance with our marketing plan. Our focus on research and development for the near future will be on dairy products and beverages.

We have cooperation arrangements with ICCL, one of the leading Japanese rice cracker producers, on technical know-how for rice crackers, pursuant to which ICCL shares with us their latest innovations and provides us with technical support. We, in return, also share with ICCL the latest developments in the snack food industry in China. We have maintained a relationship with ICCL since 1983 when we first began producing rice crackers. We do not conduct research or development projects with ICCL jointly and there are no intellectual property rights arising out of these cooperative arrangements.

We pay annual fees to ICCL in relation to technical know-how. The total amount of such fees paid to ICCL for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 was US$339,000, US$366,000, US$265,000 and US$171,000, respectively. Such fees have been decreasing steadily due to our reduced use of know-how and technical assistance provided by ICCL, and also due to changes in the exchange rates between the U.S. dollar and Japanese Yen (as the fees are payable in Yen). The fees paid to ICCL are determined by reference to the historical fees paid, and such amounts accounted for an immaterial amount of our total research and development costs each year.

We have developed our own technical know-how and possess all necessary technical know-how to produce all of our products. We do not rely on any other party, including ICCL, to provide such technical know-how. Accordingly, there would be no material impact on our operations if ICCL ceased to provide its technical know-how to us.

Our total amount of research and development costs for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 was US$1.33 million, US$1.37 million, US$2.05 million and US$1.35 million, respectively. We invest in research and development to maintain strong business momentum, as demonstrated by our historical performance and our long track record of bringing new products to market successfully. Our emphasis on innovation has led to numerous new products, including our "0-Bubble" fruit milk, Hot-Kid milk chewies and fruit jellies.

Our research and development team is overseen by Mr. Lin Chen-Shih, the managing director of our manufacturing department. For each of the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, our research and development team comprised 71, 80, 90 and 102 staff, respectively. Over 80% of them specialized in food science and engineering and the majority of our research and development personnel also have experience in our operations departments. We have implemented an incentive scheme for our research and development personnel, with a year-end performance bonus based on their contribution and performance during the year.

EMPLOYEES

As at December 31, 2004, 2005 and 2006 we had 23,659, 26,309 and 32,708 employees, respectively.

As at September 30, 2007, we had a total of 35,674 employees, of which 6,268 were part-time employees and contract labourers.

As at September 30, 2007, our employees' deployment by function was as follows:

Function	
Production	13,162
Sales and marketing	8,297
Management and other administration	4,961
Finance and accounting	799
Procurement	261
Others	1,926
Temporary	6,268
Total Headcount	35,674

We incurred total labour costs of approximately US$59.21 million, US$70.44 million, US$99.06 million and US$78.73 million for the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively. Our total labour costs accounted for 11.6%, 10.5%, 11.7% and 10.4% of our total sales for the three years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007, respectively.

Our labour costs in terms of total cost of sales for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 was US$25.0 million, US$30.6 million, US$38.6 million and US$27.9 million, respectively.

Most of our employees are stationed in China, with less than 5% of employees situated in our overseas offices, primarily in Taiwan, Japan and Singapore.

We enter into individual employment contracts with our employees covering matters such as wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations for commercial secrets, and grounds for termination. These employment contracts generally have a term of one year. We also recruit part-time staff primarily for production to ensure we have a sufficient labour force, particularly during peak seasons. We have not experienced any labour shortage during the three years ended December 31, 2006 and the nine months ended September 30, 2007.

All of our full-time employees are paid a fixed salary and may be granted other allowances, based on their position. Sales staff are also eligible for commissions. In addition, a year-end bonus may also be awarded to our employees, at our discretion and based on the performance and contribution of the individual staff to our Company. Performance appraisals are conducted twice a year to ensure that our employees receive feedback on their performance. We also participate in certain insurance plans for our employees.

We invest in continuing education and training programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with internal training in various areas, including an induction programme and team-building training. All department heads and employees of our operational divisions are also provided with training in their area of work. We also arrange for our employees to attend external training, including industry-related conferences and training courses overseas.

We have labour unions, which organize various activities for our employees. As at September 30, 2007, approximately 9,000 employees, primarily employees of our factories, have joined the unions.

We have not experienced any strikes, labour disputes or industrial actions which had a material effect on our business.

INSURANCE

As at September 30, 2007, we maintained a range of insurance cover, including property, loss of profit, cash, employee liability, public liability and product transportation insurance.

We have made a number of insurance claims during the years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, primarily under our property insurance for loss of goods and damage to our warehouse facilities caused by acts of God, including thunderstorm, typhoon and lightning-strike. These incidents did not have any material impact on the operations and financial condition of our business and, other than the usual deductions for insurance excess, all the losses were fully covered by our insurance policies. For the years ended December 31, 2004, 2005 and 2006, the number of insurance claims that we made were 25, 49 and 50, respectively, and the insurance claims amounted to US$47,467, US$200,594 and US$815,011, respectively.

OUR INTELLECTUAL PROPERTY

Our intellectual property rights are of fundamental importance to our business since we rely to a significant extent on customer recognition of our brand names.

As at September 30, 2007, we had registered 2,132 trademarks and 62 design patents in China, Taiwan and overseas. Our packaging designs and logos are also protected by copyright law in certain jurisdictions.

As at September 30, 2007, we also had made 245 trademark applications. Prior to making the relevant trademark applications, we have conducted searches and to determine whether the trademarks that we intended to apply are not currently in use. We have submitted our applications for registration of those trademarks and our applications are still being processed by the relevant governmental department. The fact that those trademarks are not registered, therefore, does not have any material impact on the operations and financial condition of our business. As we have conducted searches prior to applying for registration of those trademarks, we do not consider that there is any risk that we cannot complete the registration of these intellectual property rights.

Details of our registered intellectual property portfolio are provided in the section headed "Intellectual Property" in "Appendix VI — Statutory and General Information".

We undertake a pro-active approach to the management of our intellectual property portfolio. We undertake defensive registrations of our trademarks in additional categories where it is reasonably foreseeable that the trademark may be used in our products in the future. Registration of intellectual property rights is usually made by our agents or our legal department. We take action immediately upon becoming aware of a potential infringement of our trademarks.

During the three years ended December 31, 2006 and the nine months ended September 30, 2007, we did not experience any infringement of our intellectual property rights having a material effect on our business.

OUR PROPERTIES

Land

As at February 5, 2008, we owned 98 parcels of land (with an aggregate area of approximately 2,859,258.33 sq.m.), for use as production facilities and offices. We have obtained the land use rights certificates for all such 98 parcels of land (including one parcel of allocated land with an area of 16,682.28 sq.m.).

Buildings

As at February 5, 2008, we owned 326 buildings (with an aggregate area of approximately 1,083,910.27 sq.m.), for use as production facilities, offices, residential buildings and ancillary facilities. We have obtained the ownership certificates for 275 buildings (with an aggregate area of approximately 1,045,519.14 sq.m.). We have not yet obtained relevant ownership certificates for 51 buildings (with an aggregate area of approximately 38,391.13 sq.m.), accounting for only approximately 3.54% of the total floor area of all domestic buildings owned by the Group.

Of these 51 buildings, 26 are commodity properties for commercial and residential use (with an aggregate area of approximately 8,008.2 sq.m.), being properties legally constructed and sold by real estate developers to purchasers according to the provisions of the Administrative Rules on City Commodity Properties Pre-sale Management and other relevant regulations, purchased by the Group and are not used in our operations or in the ordinary course of our business activities, and therefore are not crucial to the operations of the Group. There was no turnover or gross profit contribution for any of these 26 properties for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007. The developers that sold these commodity properties to the Group are responsible for assisting the Group to obtain relevant building property right certificates for these properties, and the Company is reliant upon the cooperation of the relevant developers to obtain such certificates. The timing of obtaining such certificates is dependent upon the relevant developers, however, the Group believes that there is no material obstacle to their obtaining such building property right certificates, and expects to obtain relevant building property right certificates for 20 such commodity properties prior to December 31, 2008 and for the other 6 such commodity properties prior to December 31, 2009. In the event that we were required to vacate these premises, we believe that we would be able to identify alternative properties within approximately one month and with estimated rental costs of approximately RMB 300,000 per year. Our PRC legal counsel, Jun He Law Offices, are of the opinion that there has been no illegal use of these 26 properties, and no fines or other sanctions may be imposed on the Company for any illegal use.

For three of these 51 buildings (with an aggregate area of approximately 19,402 sq.m.) are used in our operations, two are used by the Group as production facilities and one as offices. The Group has been in process of applying for and obtaining the relevant ownership certificates for these buildings since their construction, and expects to obtain the relevant ownership certificates prior to July 31, 2008. None of these buildings are crucial to our operations, and we believe that we can relocate to other alternative properties within approximately one month and with estimated costs of approximately RMB2.5 million if we were required by the relevant authorities to cease using these buildings. Of the two properties used as production facilities, one ceased production from the beginning of 2007. The one property still used as a production facility had an annual production capacity of 5,280 tons, accounting for 1.2% of our total capacity, and average utilization of 24% for the year ended December 31, 2006. Our production from such property did not contribute significantly to our total turnover. For each of the three years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, the contribution to our total turnover by our production from the property that is still in use was approximately nil, nil, 0.1% and 0.8%, respectively, and the contribution to our total gross profit by our production on such property was approximately nil, nil, nil and 0.8% during the same periods, respectively. For each of the three years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007, our actual production volume from such property was approximately nil, nil, 940 tons and 1,278 tons, respectively.

The remaining 22 of these 51 buildings (with an aggregate area of approximately 10,980.94 sq.m., accounting for only approximately 1.01% of the total floor area of all domestic buildings owned by the Group) are principally used for ancillary facilities such as staff quarters, residential housing, warehouses and ancillary facilities (such as power distribution buildings), none of which is crucial to our operations. Each of these buildings is small in area and located within the factory grounds of the Group's PRC subsidiaries. There was no turnover or gross profit contribution for any of these 22 properties for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007. With regard to the warehouses and residential housing, we believe that we can find alternative properties within approximately ten days and with estimated rental costs of approximately RMB700,000 per year if we were required by the relevant authorities to cease using these warehouses and residential housing. With regard to a majority of other ancillary facilities, we believe that we can reconstruct these facilities on alternative properties within approximately three months and with estimated costs of approximately RMB410,000. We expect to obtain all necessary building property right certificates for the ancillary facilities prior to March 2009, and that any requirement to cease using such facilities would not cause any material adverse impact on our operations.

We believe that our failure to obtain certain property rights certificates will not have any material adverse effect on our Group or operations.

In respect of the three production facilities and offices and 22 ancillary facilities with defective title, the use of these properties may be found by the relevant government authorities to have failed to comply with applicable laws and regulations in full. However, our PRC legal counsel, Jun He Law Offices, have advised that the relevant rules do not have specific provisions regarding the exact amount of fine imposed on particular non-compliance activities. As at the Latest Practicable Date, we have not received any administrative penalty from any government authority for failure to obtain any building property right certificates and our controlling shareholder, HKHL, has agreed to indemnify us for any claims, damages, losses, liabilities, costs (including cost of relocation), expenses, actions and proceedings incurred or suffered, or which may be incurred or suffered, by us in respect of the use of defective properties, both owned and leased.

Leased property

As at February 5, 2008, we leased 493 properties (with an aggregate area of approximately 437,347.34 sq.m.). Of our 493 leased properties, the landlords have registered the leases for 32 of such properties. However, our landlords have failed to register leases for 461 leased properties. Of these 461 leased properties, the landlords for 319 leased properties have obtained the relevant property ownership certificates. Our PRC legal counsel, Jun He Law Offices, believe that the landlords of these 319 properties have the right to lease such properties to us and our legal rights as a tenant under such 319 leases are protected by PRC law. The landlords for 142 of these leased properties (with an aggregate area of approximately 175,594.26 sq.m.) have failed to obtain relevant property ownership certificates and register such leases. Whether landlords have obtained relevant certificates or registered such leases is not a matter within the control of the Company, and is dependent on the relevant landlords. However, only three of such leased properties (with an aggregate area of approximately 25,268.00 sq.m.) accounting for only approximately 5.78% of the Company's total leased floor area, are used as production facilities. These three properties had an annual production capacity of 8,228 tons, accounting for 2.4% of our total capacity, and average utilization of 12% for the year ended December 31, 2006. The percentage of our turnover contributed by these 3 leased properties for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 was 0.1%, 0.4%, 0.5% and 0.4%, respectively, and the gross profit contribution was nil, 0.2%, 0.5% and 0.4%, respectively, for the same periods. As such leased properties are not crucial to our operations and account for only a small percentage of our leased properties, we believe that if we were required to vacate such leased premises, we would be able to relocate to alternative premises without materially affecting our operations. The remaining 139 leases (with an aggregate area of approximately 150,326.26 sq.m.) for which the landlords have failed to obtain necessary certificates are principally used for ancillary purposes such as employee dormitories and warehouses. We consider that these leases are either entirely unrelated to or not crucial to our business and operations, and if we were required to vacate such these premises, we could relocate to alternative premises without materially affecting our operations. The relocation of these 142 defective leased properties could be completed within approximately one month and the costs are estimated to be approximately RMB1.02 million.

Buildings under construction

As at February 5, 2008, we have 13 buildings under construction, for use as production facilities, offices, residential buildings and ancillary facilities, and have obtained construction permits for the majority of these buildings.

Indemnity from controlling shareholder

Our controlling shareholder, HKHL, and Mr. Tsai have agreed to indemnify us for any claims, damages, losses, liabilities, costs (including cost of relocation), expenses actions and proceedings incurred or suffered, or which may be incurred or suffered, by us in respect of the use of defective properties, both owned and leased.

Waiver from Certain Valuation Report Requirements

Owing to the substantial number of properties involved, we have applied to the SFC for an exemption and the Hong Kong Stock Exchange for a waiver from strict compliance with certain of the valuation report requirements contained in paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance and Rules 5.01 and 5.06 and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, respectively, on the grounds that, given that is estimated by CB Richard Ellis Limited that the valuation report would run to over 400 pages of English text if the traditional format were to be adopted, it would be unduly burdensome for the Company to do so. The Joint Sponsors and us are of the view that:

(a) it is not practical and unduly burdensome to our Company to list all of the properties and show their particulars and values individually in the prospectus in the traditional format as required by the Listing Rules and the Companies Ordinance; and

(b) for a food and beverages manufacturer such as our Company, to include excessive details of this nature in relation to properties in this prospectus would not be material to potential investors' investment decisions.

The waiver has been granted by the Hong Kong Stock Exchange, and the exemption has been granted by the SFC under section 342A(1) of the Hong Kong Companies Ordinance, subject to the following conditions:

(i) a full valuation report complying with all relevant requirements under the Hong Kong Listing Rules and all the requirements of paragraph 34 of the Third Schedule to the Companies Ordinance in the English language will be made available for inspection in accordance with "Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection";

(ii) the valuer's letter and the valuer's certificate containing a summary valuation of all the Group's property interests, based on the full property valuation report, be included in this prospectus in the form set out in Appendix IV to this prospectus; and

(iii) this prospectus shall set out particulars of this exemption.

The summary valuation will divide all the property interests of the Group into six groups, namely: (i) Group I: Property interests held by the Group for occupation in the PRC; (ii) Group II: Property interests held by the Group for development in the PRC; (iii) Group III: Property interests held by the Group for occupation in the Singapore; (iv) Group IV: Property interests held by the Group for occupation in the Taiwan; (v) Group V: Property interests rented by the Group in the PRC; (vi) Group VI: Property interests rented by the Group in Japan; and (vii) Group VII: Property interests rented by the Group in Taiwan. Under each group, there will be summary valuation certificates describing particulars of occupancy of the properties and their open market value.

ENVIRONMENTAL MATTERS

Our business is subject to relevant PRC national and local environmental laws and regulations which, among other things, require the payment of fees in connection with activities that discharge waste materials and which impose fines and other penalties on facilities that threaten the environment. Our manufacturing process produces a small amount of waste water, solid wastes and to a lesser extent gases. Such process does not cause any material damage to the environment.

We have installed environmental protection equipment and facilities to treat and, where possible, recycle waste materials. We have procedures in place to treat and dispose of all of our waste in accordance with national and local environmental laws and regulations. We are also constantly seeking to improve our environmental protection measures, for example by reducing our use of water in production and waste water, and fuelling our equipment with natural gas instead of oil to reduce carbon emissions.

To ensure compliance with applicable regulations, we have 35 dedicated staff responsible for supervising and monitoring compliance with statutory regulations and our internal standards relating to environmental protection. Many of these staff hold degrees in engineering, electronics, mechanics or waste water treatment and have extensive practical experience in environment protection management. Our managing director of our manufacturing department, Mr. Lin Chen-Shih, has overall responsibility for environmental protection matters within the Group.

For the three years ended December 31, 2006 and the first six months ended June 30, 2007, we spent on average approximately RMB30 million per annum on compliance with applicable environmental protection rules and regulations, including discharge fees and capital expenditure on environmental protection equipment and facilities. We do not expect any significant fluctuation in our compliance costs in the near future.

We have not been subject to any material claims or penalties in relation to environmental protection and have not been involved in any environmental accidents or fatalities during the three years ended December 31, 2006 and nine months ended September 30, 2007. We have during the three years ended December 31, 2006 and nine months ended September 30, 2007, been in material compliance with all applicable PRC environmental regulations except that three of our subsidiaries in the PRC (namely Anyang Want Want Foods Ltd., Anyang Lee-Want Foods Ltd. and Anyang Big-Want Food Ltd.) have not obtained relevant environmental approvals.

The buildings of these three subsidiaries are leased properties without proper environmental approvals at the beginning of the leasing. We have applied for all outstanding environmental approvals for these three subsidiaries. The turnover for these three subsidiaries for the years ended December 31, 2004, 2005 and 2006 and the nine months ended September 30, 2007 was 0.1%, 0.4%, 0.5% and 0.4%, respectively; and the gross profits for these three enterprises for the same period was nil, 0.2%, 0.5% and 0.4%, respectively.

In accordance with Articles 7 and 10 of the Administrative Rules on Environmental Protection of Construction Projects (the "Rules"), a construction entity is required to formulate environmental impact report or complete environmental report application form or environmental impact registration form for a construction project, which are required to be submitted to the competent government authority of environmental protection for examination and approval. Further, according to Article 21 of the Rules, a competent government authority of environmental protection may request a construction entity failing to formulate environmental impact report or complete environmental report application form or environmental impact registration form to make up within a specific period of time; any constructing entity that commenced construction work without making up by formulating such report or completing such form within the specific period of time is required to cease the construction work and will be charged a fine of no more than RMB100,000.

In accordance with Articles 9 and 10 of the Administrative Measures on Environmental Protection Acceptance Testing of Completed Construction Project (the "Measures"), once a construction project is completed, the respective construction entity is required to apply to the competent government authority of environmental protection to carry out environmental protection acceptance testing of such completed construction project; for a completed construction project which undergoes trial operation, the relevant construction entity is required to apply to the competent government authority of environmental protection to carry out environmental protection acceptance testing of such completed construction project within 3 months since such trial operation commences. In addition, according to Articles 22 and 23 of the Measures, if, after 3 months since such trial operation commences, a construction entity fails to apply to the competent government authority of environmental protection to carry out environmental protection acceptance testing of such completed construction project or such environmental protection acceptance testing is delayed, the relevant government authority of environmental protection may request such entity to make up within a specific period of time; any entity failing to make up within such specific period of time shall be ceased from any trial operation and charged a fine of no more than RMB50,000.

None of the above subsidiaries has received any material administrative punishment from government authorities responsible for environmental protection. We have commenced procedures to apply for the above approvals and expect to obtain such approvals before the end of the year ending December 31, 2008. Given that these three subsidiaries are immaterial to the operations of our Group as a whole, we believe that the failure of these subsidiaries to obtain the relevant approvals will not have any material adverse impact on the Group's operations and financial position as a whole.

Pursuant to a deed of indemnity dated February 4, 2008 entered into between HKHL and Mr. Tsai in favour of our Company, HKHL and Mr. Tsai have agreed to indemnify our Company for any fines, penalties or charges which may be imposed or levied by the PRC governmental authorities for the failure to comply with the relevant PRC laws and regulations as disclosed above.

We will, in the future, commence business only when our subsidiary or branch has obtained all the relevant environmental approvals.

There are no specific demands and requirements imposed on us by our customers in complying with environmental protection rules in areas where our customers operate.

LEGAL AND COMPLIANCE

Save as disclosed below, all of our subsidiaries have obtained and currently maintain all necessary permits and licenses required for their production and sales activities actually being conducted. Two of our subsidiaries in the PRC (namely Shenyang Big-Want Foods Ltd. and Hangzhou Sun-Want Foods Ltd.) are currently engaged in the production of alcohol products which are subsequently distributed to third parties through five branches owned by five of our PRC subsidiaries. However, the business scopes of three out of these five branches as registered with the relevant government administrations of industry and commerce do not include alcohol wholesaling. These three branches are in the process of amending their business scopes to include alcohol wholesaling accordingly, and expect to complete such amendments by June 30, 2008. The above subsidiaries and branches have not received any administrative penalties from any government authorities in relation to the above issues. In addition, the revenues generated by the alcohol wholesaling activities of these subsidiaries are immaterial to the revenues of our Group. Accordingly, we believe that the above-mentioned issues will not have any material adverse impact on the Group's operations and financial position as a whole.

We were not aware of the need to include the relevant business scope in our business license under the PRC laws until we were advised by our PRC legal counsel, Jun He Law Offices, in preparation for the listing and these three branches are in the process of amending their business scopes to include alcohol wholesaling accordingly, and expect to complete such amendments by June 30, 2008.

In accordance with the Implementing Rules on Certain Issues Regarding Legal Compliance of Examination, Approval and Registration of Foreign-invested Companies and the Administrative Rules on Company Registration, a foreign-invested enterprise conducting any business beyond its approved and registered business scope but within the encouraged and allowed sub-categories specified by the Industrial Catalogue Guiding Foreign Investment shall register such business conduct within the timeline requested by the relevant registration authority; a foreign-invested enterprise failing to do so will be charged a fine of above RMB10,000 but no more than RMB100,000; if a foreign-invested enterprise conducts any business requiring government approval by laws, regulations or rules issued by the State Council without obtaining such approval and caused substantial negative consequences, its business license can be revoked.

Given that (i) the above three branches of our PRC subsidiaries have not received any administrative warnings or penalty from any government authority for the above issues; (ii) the sales revenue of alcohol products as mentioned in above only accounts for a very small portion of our sales revenue; and (iii) we expect the above three branches to complete the relevant procedures mentioned in above soon after the listing, we believe that the aforesaid issues will not have any material adverse impact on our operations and financial position as a whole.

The turnover for the three branches involved in the marketing and distribution of alcohol products for the years ended December 31, 2004, 2005 and 2006 and nine months ended September 30, 2007 was 0.08%, 0.15%, 0.22% and 0.13% respectively; and the gross profits for the 3 branches marketing and distributing alcohol products for the same period was 0.09%, 0.05%, 0.03% and 0.06% respectively.

Pursuant to a deed of indemnity dated February 4, 2008 entered into between HKHL and Mr. Tsai in favour of our Company, HKHL and Mr. Tsai have agreed to indemnify our Company for any fines, penalties or charges which may be imposed or levied by the PRC governmental authorities for the failure to comply with the relevant PRC laws and regulations as disclosed above.

We will, in the future, commence business only when our subsidiary or branch is registered with the relevant business scope.

We have not been, during the three years ended December 31, 2006 and nine months ended September 30, 2007, and are not, involved in any litigation or arbitration proceedings having a material adverse effect on our financial condition or results of operations. In addition, we have not been and are not involved in any litigation or arbitration proceedings pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

We have not been subject to any findings or recommendations by PRC or overseas governmental authorities in their examinations and inspections in relation to any matter which might have a material adverse effect on our business or operations.