WANT WANT CHINA HOLDINGS LIMITED
中 國 旺 旺 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0151)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2013	2012	
	Unaudited	*Unaudited*	Change
Key income statement items	***US$'000***	*US$'000*	*%*
Revenue	**1,754,451**	1,527,514	+14.9
Gross profit	**723,690**	566,324	+27.8
Operating profit	**397,281**	297,816	+33.4
EBITDA [1]	**445,594**	340,116	+31.0
Profit attributable to equity holders of the Company	**307,610**	230,880	+33.2
Key financial ratios	*%*	*%*	*% point*
Gross profit margin	**41.2**	37.1	+4.1
Operating profit margin	**22.6**	19.5	+3.1
Margin of profit attributable to equity holders of the Company	**17.5**	15.1	+2.4

1 EBITDA refers to earnings before interest, income tax, depreciation and amortization. It is calculated by adding back depreciation and amortization expenses to the operating profit for the period.

- Revenue of the Group increased by 14.9% to US$1,754.5 million.
- Due to the fall in prices of certain key raw materials and optimization of product mix, the gross profit margin of the Group increased by 4.1 percentage points to 41.2%.
- Profit attributable to equity holders of the Company increased by 33.2% to US$307.6 million.
- An interim dividend of US1.21 cents per share was declared.

The board (the "Board") of directors (the "Directors") of Want Want China Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in the previous year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2013

		Unaudited Six months ended 30 June	
		2013	2012
	Note	***US$'000***	*US$'000*
Revenue	4	**1,754,451**	1,527,514
Cost of sales		**(1,030,761)**	(961,190)
Gross profit		**723,690**	566,324
Other gains/(losses) – net	5	**8,141**	(848)
Other income	6	**33,397**	24,521
Distribution costs		**(219,472)**	(169,094)
Administrative expenses		**(148,475)**	(123,087)
Operating profit		**397,281**	297,816
Finance income		**28,928**	26,868
Finance costs		**(6,984)**	(7,079)
Finance income-net		**21,944**	19,789
Share of profit/(loss) of associates		**635**	(27)
Profit before income tax		**419,860**	317,578
Income tax expense	7	**(112,409)**	(86,561)
Profit for the period		**307,451**	231,017
Profit attributable to:			
Equity holders of the Company		**307,610**	230,880
Non-controlling interests		**(159)**	137
		307,451	231,017
Earnings per share for profit attributable to equity holders of the Company			
Basic earnings per share	8	**US2.33 cents**	US1.75 cents
Diluted earnings per share	8	**US2.33 cents**	US1.75 cents
Dividends	9	**160,007**	119,050

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Unaudited Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
Profit for the period	**307,451**	231,017
Other comprehensive income:		
Change in value of available-for-sale financial assets	**576**	731
Currency translation differences	**45,342**	(8,651)
Other comprehensive income/(loss) for the period	**45,918**	(7,920)
Total comprehensive income for the period	**353,369**	223,097
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**353,412**	222,988
– Non-controlling interests	**(43)**	109
	353,369	223,097

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

	Note	**Unaudited 30 June 2013 *US$'000***	Audited 31 December 2012 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,130,061**	1,045,742
Leasehold land and land use rights		**147,773**	130,366
Investment properties		**6,622**	3,173
Intangible assets		**965**	1,010
Investments in associates		**8,471**	5,393
Deferred income tax assets		**1,541**	1,402
Available-for-sale financial assets		**6,709**	6,140
Total non-current assets		**1,302,142**	1,193,226
Current assets			
Inventories		**353,567**	460,821
Trade receivables	10	**93,475**	165,901
Prepayments, deposits and other receivables		**152,842**	141,942
Cash and cash equivalents		**1,675,132**	1,499,208
Total current assets		**2,275,016**	2,267,872
Total assets		**3,577,158**	3,461,098

	Note	**Unaudited 30 June 2013 *US$'000***	Audited 31 December 2012 *US$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**264,515**	264,555
Other reserves		**1,422,524**	1,330,927
		1,687,039	1,595,482
Non-controlling interests		**8,044**	8,087
Total equity		**1,695,083**	1,603,569
LIABILITIES			
Non-current liabilities			
Borrowings		**923,533**	653,000
Deferred income tax liabilities		**15,471**	9,662
Other non-current liabilities		**17,315**	14,201
Total non-current liabilities		**956,319**	676,863
Current liabilities			
Trade payables	11	**158,118**	231,415
Accruals and other payables		**469,800**	539,417
Current income tax liabilities		**38,887**	59,834
Borrowings		**258,951**	350,000
Total current liabilities		**925,756**	1,180,666
Total liabilities		**1,882,075**	1,857,529
Total equity and liabilities		**3,577,158**	3,461,098
Net current assets		**1,349,260**	1,087,206
Total assets less current liabilities		**2,651,402**	2,280,432

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. General information

Want Want China Holdings Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in the manufacturing and distribution of food and beverages. The Group's activities are primarily conducted in the People's Republic of China ("the PRC"), Taiwan, Japan, Hong Kong and Singapore, and its products are also sold to the United States, Canada, countries in South-East Asia and Europe.

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

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

This condensed consolidated interim financial information is presented in United States dollars (US$), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 27 August 2013.

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

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRS.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013.

- HKAS 1 (Amendment) 'Presentation of financial statements' is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. It is not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 ‘Consolidated financial statements’ is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. It is not expected to have any significant impact on the Group’s financial statements.

- HKAS 27 (revised 2011) ‘Separate financial statements’ is effective for annual periods beginning on or after 1 January 2013. It includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. It is not expected to have any significant impact on the Group’s financial statements.

- HKFRS 11 ‘Joint arrangements’ is effective for annual periods beginning on or after 1 January 2013. It is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. It is not expected to have any significant impact on the Group’s financial statements.

- HKAS 28 (revised 2011) ‘Associates and joint ventures’ is effective for annual periods beginning on or after 1 January 2013. It includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. It is not expected to have any significant impact on the Group’s financial statements.

- HKFRS 12 ‘Disclosure of interests in other entities’ is effective for annual periods beginning on or after 1 January 2013. It includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is not expected to have any significant impact on the Group’s financial statements.

- HKFRS 13 ‘Fair value measurements’ is effective for annual periods beginning on or after 1 January 2013. It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. It is not expected to have any significant impact on the Group’s financial statements.

- HKAS 19 (Amendment) ‘Employee benefits’ is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. It is not expected to have any significant impact on the Group’s financial statements.

- HKFRS 1 (Amendment) ‘Government loans’ is effective for annual periods beginning on or after 1 January 2013. The amendments require that a first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with HKAS 32 ‘Financial Instruments: Presentation’. It is not expected to have any significant impact on the Group’s financial statements.

- HKFRS 7 (Amendment) ‘Financial instruments: Disclosures-Offsetting financial assets and financial liabilities’ is effective for annual periods beginning on or after 1 January 2013. The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. It is not expected to have any significant impact on the Group’s financial statements.

(b) The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS/HKFRS 27 (revised 2011) 'Investment entities', effective for annual periods beginning on or after 1 January 2014.

- Amendments to HKAS 36 'Recoverable amount disclosures for non-financial assets', effective for annual periods beginning on or after 1 January 2014.

- HK (IFRIC) Interpretation 21 'Levies', effective for annual periods beginning on or after 1 January 2014.

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

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

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

4. Segment information

The chief operating decision-makers have been identified as the executive Directors. The executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on their reports.

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

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

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

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

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

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

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

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

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

	Six months ended 30 June 2013					
	Rice crackers	**Dairy products and beverages**	**Snack foods**	**Other products**	**Unallocated**	**Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Segment results						
Revenue	**320,075**	**942,170**	**488,217**	**3,989**	**–**	**1,754,451**
Segment profit/(loss)	**37,838**	**272,755**	**116,897**	**585**	**(30,794)**	**397,281**
Finance income-net						**21,944**
Share of post-tax profit of associates						**635**
Profit before income tax						**419,860**
Income tax expense						**(112,409)**
Profit for the period						**307,451**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**13,011**	**17,407**	**13,828**	**258**	**2,189**	**46,693**
Amortization of leasehold land and land use rights	**303**	**650**	**470**	**73**	**14**	**1,510**
Depreciation of investment properties	**–**	**–**	**–**	**29**	**–**	**29**
Amortization of intangible assets	**–**	**–**	**–**	**–**	**81**	**81**
Capital expenditure	**23,665**	**65,393**	**26,728**	**16,307**	**959**	**133,052**

The segment assets and liabilities as at 30 June 2013 are as follows:

	30 June 2013					
	Rice crackers	**Dairy products and beverages**	**Snack foods**	**Other products**	**Unallocated**	**Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Segment assets and liabilities						
Segment assets	**846,891**	**1,644,063**	**917,158**	**115,166**	**45,409**	**3,568,687**
Investments in associates						**8,471**
Total assets of the Group						**3,577,158**
Total liabilities of the Group	**229,218**	**263,931**	**168,729**	**28,747**	**1,191,450**	**1,882,075**

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

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

The segment assets and liabilities as at 31 December 2012 are as follows:

	31 December 2012					
	Rice crackers	Dairy products and beverages	Snack foods	Other products	Unallocated	Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Segment assets and liabilities						
Segment assets	890,333	1,514,924	889,715	124,504	36,229	3,455,705
Investments in associates						5,393
Total assets of the Group						3,461,098
Total liabilities of the Group	284,496	315,581	208,087	35,074	1,014,291	1,857,529

5. Other gains/(losses) – net

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
Net foreign exchange gains/(losses)	**2,218**	(1,102)
Losses on disposal of property, plant and equipment, net	**(524)**	(452)
Donation expenses	**(1,048)**	(253)
Gains on the financial assets at fair value through profit or loss	**30**	197
Losses on disposal of available-for-sale financial assets	**–**	(230)
Insurance claim income	**5,905**	–
Others	**1,560**	992
Total	**8,141**	(848)

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

6. Other income

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
Government grants	**27,042**	18,469
Sale of scraps	**5,896**	5,782
Rental income, net	**171**	53
Others	**288**	217
Total	**33,397**	24,521

7. Income tax expense

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
Current income tax		
– Mainland China	**99,490**	78,091
– Taiwan	**346**	491
– Hong Kong and overseas	**–**	3
	99,836	78,585
Deferred income tax	**12,573**	7,976
Total	**112,409**	86,561

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

8. Earnings per share

(a) *Basic*

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

	Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company (US$'000)	**307,610**	230,880
Weighted average number of ordinary shares in issue (thousands)	**13,227,706**	13,223,338
Basic earnings per share	**US2.33 cents**	US1.75 cents

(b) *Diluted*

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

	Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company (US$'000)	**307,610**	230,880
Weighted average number of ordinary shares in issue (thousands)	**13,227,706**	13,223,338
Adjustments for share options (thousands)	**–**	3,429
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**13,227,706**	13,226,767
Diluted earnings per share	**US2.33 cents**	US1.75 cents

9. Dividends

Final dividend of US$259,264,000 for the year ended 31 December 2012 was paid in May 2013 (2012: US$179,897,000).

An interim dividend of US1.21 cents per share (2012: US0.90 cents) was declared by the board of Directors on 27 August 2013. It is payable on or about 23 October 2013 to shareholders who are on the register of members of the Company on 4 October 2013. This interim dividend, amounting to US$160,007,000 (2012: US$119,050,000), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2013.

10. Trade receivables

	30 June 2013 *US$'000*	31 December 2012 *US$'000*
Trade receivables		
– from third parties	**94,692**	167,039
– from related parties	**1,968**	1,595
	96,660	168,634
Less: provision for impairment	**(3,185)**	(2,733)
Trade receivables, net	**93,475**	165,901

Most of the Group's sales are on cash-on-delivery basis whereas those made through modern distribution channels are normally on credit terms ranging from 60 to 90 days (2012: 60 to 90 days).

As at 30 June 2013 and 31 December 2012, the ageing analysis of trade receivables, before provision for impairment, is as follows:

	30 June 2013 *US$'000*	31 December 2012 *US$'000*
Within 60 days	**68,114**	150,183
61-90 days	**11,959**	13,034
91-180 days	**14,018**	4,607
181-365 days	**1,204**	197
Over 365 days	**1,365**	613
Total	**96,660**	168,634

11. Trade payables

As at 30 June 2013 and 31 December 2012, the ageing analysis of the trade payables is as follows:

	30 June 2013 *US$'000*	31 December 2012 *US$'000*
Within 60 days	**134,218**	194,108
61 to 180 days	**20,497**	33,972
181 to 365 days	**2,180**	1,079
Over 365 days	**1,223**	2,256
Total	**158,118**	231,415

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

During the first half of 2013, affected by the sluggish recovery of the global economy, economic growth in China slowed down as compared with that of the previous years. Gross domestic product (GDP) of China in the first and second quarters of 2013 grew by 7.7% and 7.5%, respectively, and the overall GDP in the first half of 2013 grew by 7.6%. The overall retail business of consumer goods in China showed signs of weakness. Notwithstanding this slow down, our Group achieved total revenue of US$1,754.5 million for the first half of 2013, representing an increase of 14.9% as compared with that of the corresponding period in the previous year. Our three key product segments, namely, rice crackers, dairy products and beverages, and snack foods accounted for 18.2%, 53.7% and 27.8%, respectively, of our total revenue. Profit attributable to equity holders of the Company was US$307.6 million, representing an increase of 33.2% as compared with that of the corresponding period in the previous year. The increase in revenue was mainly attributable to our strong Want Want branding, advantages in channel resources, as well as effective management of costs and operating expenses.

REVENUE

Total revenue of our Group increased by 14.9% from US$1,527.5 million in the first half of 2012 to US$1,754.5 million in the first half of 2013. Revenue attributable to dairy products and beverages, rice crackers and snack foods increased by 18.3%, 15.5% and 8.4%, respectively.

Rice crackers

Revenue attributable to rice crackers increased by 15.5%, from US$277.2 million in the first half of 2012 to US$320.1 million in the first half of 2013. Since the period for the sales of rice crackers leading to the lunar new year in the first half of 2013 was longer than that of the previous year, revenue of gift packs and core brand "Want Want" rice crackers increased by 49.5% and 8.7%, respectively, as compared with that of the first half of 2012. In addition, sub-brand rice crackers resumed sales in 2013, which led to a significant increase in sales of rice crackers products over the same period of last year. In such an environment of weak consumption, our rice crackers demonstrated its absolute leading position once again.

Dairy products and beverages

Revenue of dairy products and beverages grew by 18.3% from US$796.2 million in the first half of 2012 to US$942.2 million in the first half of 2013 which was driven mainly by the steady growth in the sales of "Hot-Kid milk" and other beverages. Due to the successful marketing policies and our strong distribution network, revenue from "Hot-Kid milk" increased by 20.1% to US$852.5 million as compared with that of the corresponding period in the previous year. In addition, revenue from other beverages increased by 25.5% over the same period of last year, among which the revenue from "O Bubble fruit milk" also rose by 24.4%. In addition, driven by our advantages in channeling and branding as well as successful marketing policy, the new yogurt drinks have achieved good sales results since its launch. In the second half of the year, the Group will continue to launch specialty products with high margin, enrich the product portfolio and maintain the sustainable revenue growth of our dairy products and beverages.

Snack foods

Due to the economic slowdown in China and insufficient penetration of some of our products, revenue of snack foods increased by a moderate 8.4% from US$450.3 million in the first half of 2012 to US$488.2 million in the first half of 2013. However, revenue of popsicles and jellies still achieved a growth rate of 14.5% due to the optimization of product mix and launch of new products. During the first half of the year, the management embarked on an organization restructuring to split its product divisions in an attempt to expand market coverage and product penetration and enhance on-shelf availability. The management will continue installing in-store displays and organizing various in-store activities at selected points-of-sales, in order to take advantage of our diversified snack food products.

COST OF SALES

Cost of sales increased from US$961.2 million in the first half of 2012 to US$1,030.8 million in the first half of 2013, which was in line with our revenue increase. The cost of sales of our Group included mainly raw materials (such as milk powder, sugar, rice, palm oil, packaging materials), direct labour and manufacturing cost. Although labour and energy costs escalated in China, prices of certain key raw materials fell at various scales in the first half of 2013. Meanwhile, the Group has always emphasized on continuous quality enhancement and cost control effectiveness, which played a positive effect on our cost control. The Group will continue to optimize the process flow, quality control and supply chain management of each product, so as to maintain our competitive advantage.

GROSS PROFIT

Due to the fall in the prices of certain key raw materials and the optimization of product mix, gross profit margin increased by 4.1 percentage points from 37.1% in the first half of 2012 to 41.2% in the first half of 2013. Gross profit increased by 27.8% from US$566.3 million in the first half of 2012 to US$723.7 million in the first half of 2013.

Rice crackers

The effect of the fall in prices of various raw materials was offset by the increase in labour cost and resumed sales of sub-brand rice crackers. As a result, the gross profit margin of rice crackers increased slightly by 0.4 percentage point to 35.6% in the first half of 2013 as compared with that of the previous year. The Group will continue to actively promote the nationwide automation program for rice cracker production and optimize our production facilities in order to pursue the Group's operating target of "high margins, great success".

Dairy products and beverages

The gross profit margin of dairy products and beverages in the first half of 2013 increased by 6.1 percentage points to 42.5% as compared with that of the corresponding period in 2012. This was attributable mainly to the fall in the prices of certain key raw materials and effective cost improvement measures. Further, the product mix optimization measures adopted by the management have also contributed to the increase in the gross profit margin. The management will continue to focus on operational efficiency as well as key raw material procurement, so as to ensure product quality and stability while achieving steady growth of profitability of these products.

Snack foods

The gross profit margin of snack foods increased by 3.1 percentage points from 39.6% in the first half of 2012 to 42.7% in the first half of 2013. This was attributable mainly to the decrease in prices of raw materials such as sugar and potato starch and the optimization of product mix. The Group will consolidate several production lines and launch the production line automation program to improve supply chain efficiency and optimize the cost structure.

DISTRIBUTION COSTS

Distribution costs increased by 29.8% from US$169.1 million in the first half of 2012 to US$219.5 million in the first half of 2013. Distribution costs accounted for 12.5% of revenue in the first half of 2013, increased by 1.4 percentage points over the same period in 2012, and the increase was due mainly to the increase of advertising and promotion expenses and labour cost. Advertising and promotion expenses in the first half of 2013 amounted to US$62.92 million, representing 3.6% of revenue and increased by 0.9 percentage point over the same period in last year, and the increase was due mainly to the increase in investments in advertising and points-of-sales displays at the time when the overall market was weak. Labour cost in the first half of 2013 accounted for 3.8% of revenue, which was increased by 0.5 percentage point over that of the corresponding period in the previous year. Such increase was caused mainly by the split of the product divisions. In order to achieve optimal efficiency in the management of our distribution, the Group has implemented an information technology module for managing promotion expenses with the expectation that it will help the management to make better analysis and judgment on the effectiveness of promotion resources in the future.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from US$123.1 million in the first half of 2012 to US$148.5 million in the first half of 2013, due primarily to the increases in labour cost, urban maintenance and construction tax and education surcharge. The overall administrative expenses to revenue ratio was 8.5%, representing an increase of 0.4 percentage point over the corresponding period in the previous year.

OPERATING PROFIT

Due to the increase in gross profit margin and the effective cost control, operating profit increased by 33.4% from US$297.8 million in the first half of 2012 to US$397.3 million in the first half of 2013. Operating profit margin increased by 3.1 percentage points from 19.5% in the first half of 2012 to 22.6% in the first half of 2013.

INCOME TAX EXPENSE

Our income tax expense increased from US$86.60 million in the first half of 2012 to US$112.4 million in the first half of 2013, based on a tax rate of 26.8% which represented a decrease of 0.5 percentage point over the tax rate of 27.3% for the corresponding period in the previous year.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased by 33.2% from US$230.9 million in the first half of 2012 to US$307.6 million in the first half of 2013. The margin of profit attributable to equity holders of the Company increased by 2.4 percentage points from 15.1% in the first half of 2012 to 17.5% in the first half of 2013.

OUTLOOK OF THE SECOND HALF OF 2013

To cope with market changes and to achieve long-term sustainability of our operations, we will consolidate and build on the business results of the first half of the year and implement the following key initiatives in the second half of the year:

- **Ensuring product quality and safety in all aspects and consolidating R&D capability**

  In order to ensure that our products are in compliance with the food safety standards of China and to meet the evolving Chinese consumers' preferences and maintain sustainable product life, the Group allocated resources in the construction of a research and development (R&D) center in Jinshan District of Shanghai in the first half of 2013. We believe that as the new R&D center commences operation, our R&D capability will be enhanced significantly. The R&D center will also play a gatekeeper role in food safety, which is our top priority, to ensure the safety of our products at all stages from exploitation and inspection of raw materials to the production of final products. We will also continue to implement the Quality Control Circle Program (QCC) in each of our factories in China, and organize production enhancement activities such as production technique competitions with the aim of engaging all employees in every detail of quality control.

- **Splitting product divisions and furthering market segmentation to steadily increase product penetration**

  To increase the nationwide penetration of the wide range of our products, the Group splits up product divisions and furthers market segmentation to enable specialized and dedicated personnel to develop and take care of each market segment with the expectation of improving the existing shelf-share situation and distribution coverage. Such initiatives will also effectively enhance our product visibility in points-of-sales in China and help maintain close relationship with our channel partners and retailers.

  Furthermore, we will complete the implementation of our sale force automation (SFA) system across China in the second half of the year. All our sales representatives will be equipped with a hand-held mobile device which will enable them to convey timely market information that they obtained during their regular visits to points-of-sales. We intend to create more chances for our products with weak sales to reach the shelf and increase positive turnover at points-of-sales, which we believe will improve the shelf-share of Want Want products.

- **Preparing for the peak season of Year of the Horse**

  As the peak seasons of Mid-autumn festival, National Day and above all the Chinese Lunar new year approaching one after another, the Group will draw on its extensive experience in handling peak seasons, constantly invest in points-of-sales promotion and deploy shopping guides at points-of-sales with high turnover with the expectation of setting the stage to welcome a robust Chinese Lunar new year in 2014 and a fruitful peak season.

LIQUIDITY AND CAPITAL RESOURCES

Cash and borrowings

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

As at 30 June 2013, our bank balances and deposits amounted to US$1,675.1 million (31 December 2012: US$1,499.2 million) representing an increase of 11.7%. Over 97% of our cash was denominated in Renminbi (“RMB”).

As at 30 June 2013, our total borrowings, including bank borrowings and issued senior notes (“Notes”) amounted to US$1,182.5 million (31 December 2012: US$1,003.0 million) representing an increase of US$179.5 million.

Among which, the bank borrowings decreased by US$417.5 million to US$585.5 million (31 December 2012: US$1,003.0 million). The decrease was mainly due to the repayment of the borrowings by the funds raised from the newly issued Notes.

As the Group took advantage of the current low interest rate environment to fix the medium and long term interest costs, we issued US$600.0 million 5-year Notes with an annual interest rate of 1.875% in May 2013. As at 30 June 2013, the payables of Notes balance amounted to US$597.0 million.

We were in a net cash position (cash and cash equivalents less total borrowings) of US$492.6 million as at 30 June 2013 (31 December 2012: US$496.2 million), representing a decrease of US$3.56 million as compared with that as at 31 December 2012. The net gearing ratio (total borrowings net of cash and cash equivalents divided by total equity at the end of the period (excluding non-controlling interests)) as at 30 June 2013 was -29.2% (31 December 2012: -31.1%). We maintain sufficient cash and available banking facilities for our working capital requirements and for capitalizing on any potential investment opportunities in the future. The management will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

In the first half of 2013, our net cash increased by US$175.9 million. A total of US$367.7 million was generated from our operating activities. We spent US$81.94 million on financing activities and US$135.0 million on investment activities. Cash outflow from investment activities was mainly used in the expansion of production facilities and the purchase of property, plant and equipment.

Capital expenditure

In order to cater to the medium and long term development, the capital expenditure for the Group in 2013 is expected to be around US$280 million. This amount will be used mainly for construction of factories and for the acquisition of factory land, machinery and equipment and additional facilities for information technology, warehousing and storage.

In the first half of 2013, our total capital expenditure amounted to US$133.1 million (in the first half of 2012: US$100 million). We spent approximately US$23.70 million, US$65.40 million and US$26.70 million on additions to factory buildings and facilities for rice crackers, dairy products and beverages and snack foods, respectively, so as to further enhance our production capacity for these products. The remaining capital expenditure was made mainly on adding facilities for information technology and packaging.

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

Inventory analysis

The management is committed to improving the working capital efficiency. In addition to implementing the information systems fully, the management has also employed various statistical methods to optimize the supply chain management. Our inventory consists primarily of finished goods, goods in transit, work in progress for rice crackers, dairy products and beverages, snack foods and other products, as well as raw materials and packaging materials.

The following table sets forth the number of our inventory turnover days for the six months ended 30 June 2013 and the year ended 31 December 2012:

	Six months ended 30 June 2013	Year ended 31 December 2012
Inventory turnover days	**71**	78

Trade receivables

Our trade receivables represent receivables from our customers. The terms of credit granted to our customers are usually between 60 days and 90 days. Most of our revenue in the PRC is generated on a cash-on-delivery basis. We only grant credit to customers in our modern distribution channels, which then on-sell our products to end-consumers.

The following table sets forth the number of our trade receivables turnover days for the six months ended 30 June 2013 and the year ended 31 December 2012:

	Six months ended 30 June 2013	Year ended 31 December 2012
Trade receivables turnover days	**13**	18

Trade payables

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

The following table sets forth the number of our trade payables turnover days for the six months ended 30 June 2013 and the year ended 31 December 2012:

	Six months ended 30 June 2013	Year ended 31 December 2012
Trade payables turnover days	**34**	40

Pledge of assets

As at 30 June 2013, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 30 June 2013, we had approximately 52,000 employees and total remuneration expenses for the first half of 2013 was US$245.6 million, representing an increase of 30.6% as compared with that of the corresponding period in the previous year. The remuneration packages of our employees include fixed salary, commissions and allowances (where applicable), and performance-based year-end rewards having regard to the Group's and individual's performance.

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

FOREIGN EXCHANGE RISK

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

AUDIT COMMITTEE

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

The unaudited interim results of the Group for the six months ended 30 June 2013 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2013, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviations from the code provisions A.2.1 and A.4.1. The reasons for these deviations are explained below.

Code provision A.2.1

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

Code provision A.4.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding directors' securities transactions. Having made specific enquiries with our Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

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

During the six months ended 30 June 2013, the Company repurchased 2,000,000 shares on The Stock Exchange of Hong Kong Limited for an aggregate amount (excluding expenses) of 20,084,480 Hong Kong dollars (HK$). Such repurchased shares were cancelled during the period.

From 1 July 2013 to the date of this announcement, the Company further repurchased 2,000,000 shares on The Stock Exchange of Hong Kong Limited for an aggregate amount (excluding expenses) of HK$20,350,000. Such repurchased shares were subsequently cancelled.

Details of the abovementioned repurchases are as follows:

Month of repurchases	**Total number of shares repurchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Aggregate amount paid (excluding expenses)** *(HK$)*
June 2013	2,000,000	10.06	10.02	20,084,480
July 2013	2,000,000	10.20	10.16	20,350,000

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

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2013 and up to the date of this announcement.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of US1.21 cents per ordinary share of the Company for the six months ended 30 June 2013. The interim dividend is expected to be paid on or about 23 October 2013 to shareholders whose names appear on the register of members of the Company on 4 October 2013. Shareholders registered under the principal register of members in Cayman Islands will automatically receive their dividends in United States dollars while shareholders registered under the Hong Kong branch register of members will receive their dividends in Hong Kong dollars. The Hong Kong dollar interim dividend will be calculated with reference to the exchange rate of United States dollars against Hong Kong dollars on 4 October 2013.

In order to qualify for the entitlement to the abovementioned interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 30 September 2013. The register of members of the Company will be closed from 2 October 2013 to 4 October 2013 (both dates inclusive).

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

Hong Kong, 27 August 2013

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