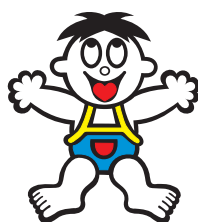


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WANT WANT CHINA HOLDINGS LIMITED

中國旺旺控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0151)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2010 <i>Unaudited</i> US\$'000	2009 <i>Unaudited</i> US\$'000	
Key income statement items			
Revenue	1,002,392	798,130	+25.6%
Gross profit	381,658	308,056	+23.9%
Operating profit	195,451	137,842	+41.8%
EBITDA ¹	224,216	162,539	+37.9%
Profit attributable to equity holders of the Company	161,259	120,778	+33.5%
Key financial ratios	%	%	% point
Gross profit margin	38.1%	38.6%	-0.5
Operating profit margin	19.5%	17.3%	+2.2
Margin of profit attributable to equity holders of the Company	16.1%	15.1%	+1.0

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

- Revenue of the Group increased by 25.6% to US\$1,002.4 million, in particular, revenue of rice crackers increased by 38.3%.
- Gross profit margin decreased by 0.5 percentage point to 38.1% due to the increase in prices of certain raw materials such as sugar, rice, palm oil and plastic pellets. Gross profit margins in the first half of 2010 for rice crackers, dairy products and beverages and snack foods segments were 42.0%, 34.4% and 42.0% respectively.
- Benefiting from economies of scale, stringent cost controls and normalisation of the write-off for inventory, operating profit margin improved by 2.2 percentage points to 19.5%.
- Profit attributable to equity holders of the Company increased by 33.5% to US\$161.3 million.
- An interim dividend of US0.9 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 2010 together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Note	Unaudited	
		Six months ended 30 June	
		2010	2009
		US\$'000	US\$'000
Revenue	4	1,002,392	798,130
Cost of sales		(620,734)	(490,074)
Gross profit		381,658	308,056
Other losses – net	5	(773)	(1,984)
Other income	6	18,987	13,624
Distribution costs		(132,292)	(114,207)
Administrative expenses		(72,129)	(67,647)
Operating profit		195,451	137,842
Finance income		5,168	1,908
Finance costs		(2,840)	(699)
Share of post-tax profits of associates		35	273
Profit before income tax		197,814	139,324
Income tax expense	7	(36,343)	(18,431)
Profit for the period		161,471	120,893
Profit attributable to:			
– equity holders of the Company		161,259	120,778
– non-controlling interests		212	115
		161,471	120,893
Earnings per share for profit			
attributable to the equity holders of the Company			
– basic	8	US1.22 cents	US0.91 cents
– diluted	8	US1.22 cents	US0.91 cents
Dividends	9	118,905	79,251

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	US\$'000	US\$'000
Profit for the period	161,471	120,893
Other comprehensive income		
Fair value gains on available-for-sale financial assets	766	241
Currency translation differences	7,322	261
Other comprehensive income for the period	8,088	502
Total comprehensive income for the period	169,559	121,395
Total comprehensive income for the period attributable to:		
– equity holders of the Company	169,338	121,184
– non-controlling interests	221	211
	169,559	121,395

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

		Unaudited	Audited
		30 June	31 December
		2010	2009
	Note	US\$'000	US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		660,763	623,883
Leasehold land and land use rights		56,723	48,745
Investment properties		2,895	2,900
Intangible assets		952	905
Investments in associates		2,707	2,529
Deferred income tax assets		545	611
Available-for-sale financial assets		3,735	2,969
		<hr/>	<hr/>
Total non-current assets		728,320	682,542
		<hr/>	<hr/>
Current assets			
Inventories		308,526	222,954
Trade receivables	10	62,959	73,132
Prepayments, deposits and other receivables		100,511	73,860
Financial assets at fair value through profit or loss		299	548
Cash and cash equivalents		644,407	705,106
		<hr/>	<hr/>
Total current assets		1,116,702	1,075,600
		<hr/>	<hr/>
Total assets		1,845,022	1,758,142
		<hr/> <hr/>	<hr/> <hr/>

		Unaudited	Audited
		30 June	31 December
		2010	2009
	Note	US\$'000	US\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		264,233	264,171
Other reserves		693,709	724,264
		<u>957,942</u>	<u>988,435</u>
Non-controlling interests		4,009	4,591
		<u>961,951</u>	<u>993,026</u>
LIABILITIES			
Non-current liabilities			
Borrowings		300,000	140,000
		<u>300,000</u>	<u>140,000</u>
Total non-current liabilities			
		<u>300,000</u>	<u>140,000</u>
Current liabilities			
Trade payables	11	132,346	108,671
Accruals and other payables		243,647	274,417
Current income tax liabilities		14,549	17,207
Borrowings		186,598	216,662
Deferred income tax liabilities		5,931	8,159
		<u>583,071</u>	<u>625,116</u>
Total current liabilities			
		<u>583,071</u>	<u>625,116</u>
Total liabilities			
		<u>883,071</u>	<u>765,116</u>
Total equity and liabilities			
		<u>1,845,022</u>	<u>1,758,142</u>
Net current assets			
		<u>533,631</u>	<u>450,484</u>
Total assets less current liabilities			
		<u>1,261,951</u>	<u>1,133,026</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2010

1. General information

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

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

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 26 March 2008.

These condensed consolidated interim financial information are presented in United States dollars (US\$), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 24 August 2010.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, 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 2009, 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 2010.

- HKFRS 3 (revised), ‘Business combinations’, and consequential amendments to HKAS 27, ‘Consolidated and separate financial statements’, HKAS 28, ‘Investments in associates’, and HKAS 31, ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interests’ proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), ‘consolidated and separate financial statements’, at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

- HK(IFRIC)-Int 17, ‘Distributions of non-cash assets to owners’ is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- ‘Additional exemptions for first-time adopters’ (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKAS 39 (Amendment), ‘Eligible hedged items’ is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.
- HKFRS 2 (Amendment), ‘Group cash-settled share-based payment transaction’ is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.
- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 “Non-current assets held for sale and discontinued operations” is effective for annual period on or after 1 July 2009.
- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

The Group has decided not to adopt the new standards, amendments to standards and interpretations which have been issued but are not effective for the financial year began on January 1, 2010. The Group is assessing the impact of these new standards, amendments to standards and interpretations to the Group.

4. Segment information

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

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

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

Manufacturing and sale of:

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

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

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

The segment information for the six months ended 30 June 2010 is as follows:

	Six months ended 30 June 2010					
	Rice crackers US\$'000	Dairy products and beverages US\$'000	Snack foods US\$'000	Other products US\$'000	Unallocated US\$'000	Group US\$'000
Segment results						
Revenue	235,592	482,087	273,928	10,785	–	1,002,392
Segment profit/(loss)	50,638	88,950	71,110	823	(16,070)	195,451
Finance income-net						2,328
Share of post-tax profits of associates						35
Profit before income tax						197,814
Income tax expense						(36,343)
Profit for the period						161,471
Other segment items included in the income statement						
Depreciation of property, plant and equipment	7,701	10,256	8,169	423	1,592	28,141
Amortisation of leasehold land and land use rights	136	171	187	44	15	553
Depreciation of investment properties	–	–	–	8	–	8
Amortisation of intangible assets	–	–	–	–	63	63
Capital expenditure	8,261	44,364	13,439	4,788	14	70,866

The segment assets and liabilities as at 30 June 2010 are as follows:

	As at 30 June 2010					
	Rice crackers US\$'000	Dairy products and beverages US\$'000	Snack foods US\$'000	Other products US\$'000	Unallocated US\$'000	Group US\$'000
Segment assets and liabilities						
Segment assets	496,534	685,305	526,936	98,389	35,151	1,842,315
Investments in associates						2,707
Total assets of the Group						1,845,022
Total liabilities of the Group	167,281	133,124	77,299	15,944	489,423	883,071

The segment information for the six months ended 30 June 2009 is as follows:

	Six months ended 30 June 2009					
	Rice crackers <i>US\$'000</i>	Dairy products and beverages <i>US\$'000</i>	Snack foods <i>US\$'000</i>	Other products <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Group <i>US\$'000</i>
Segment results						
Revenue	170,313	384,089	239,894	3,834	–	798,130
Segment profit/(loss)	31,780	57,048	63,801	(1,073)	(13,714)	137,842
Finance income – net						1,209
Share of post-tax profits of associates						273
Profit before income tax						139,324
Income tax expense						(18,431)
Profit for the period						120,893
Other segment items included in the income statement						
Depreciation of property, plant and equipment	6,480	8,516	6,863	792	1,440	24,091
Amortisation of leasehold land and land use rights	121	123	193	49	16	502
Depreciation of investment properties	–	–	–	7	–	7
Amortisation of intangible assets	–	–	–	–	97	97
Capital expenditure	9,805	16,276	15,772	11,289	–	53,142

The segment assets and liabilities as at 31 December 2009 are as follows:

	As at 31 December 2009					
	Rice crackers <i>US\$'000</i>	Dairy products and beverages <i>US\$'000</i>	Snack foods <i>US\$'000</i>	Other products <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Group <i>US\$'000</i>
Segment assets and liabilities						
Segment assets	497,509	634,288	500,169	89,712	33,935	1,755,613
Investments in associates						2,529
Total assets of the Group						1,758,142
Total liabilities of the Group	189,100	117,759	87,290	11,852	359,115	765,116

5. Other losses – net

	Six months ended 30 June	
	2010 US\$'000	2009 US\$'000
Net foreign exchange (losses)/gains	(10)	1,124
Loss on disposal of property, plant and equipment, net	(311)	(178)
Loss on disposal of non-current assets held for sale	–	(17)
Donation expenses	(951)	(3,089)
Fair value gains on the financial assets at fair value through profit or loss	3	23
Others	496	153
Total	(773)	(1,984)

6. Other income

	Six months ended 30 June	
	2010 US\$'000	2009 US\$'000
Government grants	15,015	10,890
Sale of scraps	3,637	2,526
Rental income	102	46
Others	233	162
Total	18,987	13,624

7. Income tax expense

	Six months ended 30 June	
	2010 US\$'000	2009 US\$'000
Current income tax		
– Mainland China	30,499	17,153
– Taiwan	667	1,278
– Hong Kong and overseas	9	–
	31,175	18,431
Deferred income tax	5,168	–
Total	36,343	18,431

8. Earnings per share

Earnings per share attributable to equity holders of the Company is as follows:

	Six months ended 30 June	
	2010	2009
Earnings per share for profit attributable to the equity holders of the Company		
– basic	US1.22 cents	US0.91 cents
– diluted	US1.22 cents	US0.91 cents

9. Dividends

The final dividend in respect of the year ended 31 December 2009 amounted to US\$198,164,000 was paid in May 2010.

In addition, an interim dividend of US0.9 cents per share (2009: US0.6cents) was declared by the board of directors on 24 August 2010. It is payable on or about 29 September 2010 to shareholders, who are on the register of members of the Company on 16 September 2010. This interim dividend, amounting to US\$118,905,000 (2009: US\$79,251,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2010.

10. Trade receivables

	As at	
	30 June 2010 US\$'000	31 December 2009 US\$'000
Trade receivables		
– from third parties	64,035	74,141
– from related parties	986	1,118
	65,021	75,259
Less: provision for impairment	(2,062)	(2,127)
Trade receivables, net	62,959	73,132

Most of the Group's sales are on cash-on-delivery basis whereas those made through modern channels are normally on credit terms ranging from 60 to 90 days (2009: 60 to 90 days).

The ageing analysis of trade receivables, before provision for impairment, is as follows:

	As at	
	30 June 2010 US\$'000	31 December 2009 US\$'000
Within 60 days	61,796	67,021
61-90 days	1,063	4,414
91-180 days	1,216	2,899
181-365 days	22	86
Over 365 days	924	839
	65,021	75,259

11. Trade payables

As at 30 June 2010 and 31 December 2009, the ageing analysis of the trade payables was as follows:

	As at	
	30 June 2010 US\$'000	31 December 2009 US\$'000
Within 60 days	129,071	102,904
61 to 180 days	2,797	5,582
181 to 365 days	390	1
Over 365 days	88	184
	132,346	108,671

12. Contingent liabilities

The Group did not have contingent liabilities as at 30 June 2010 and 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

The timely implementation of the “RMB 4 trillion” stimulation program by the People’s Republic of China (“PRC”) government in 2009 has achieved excellent results and enabled the PRC to become the eye-catching power engine for economic growth in the world. According to the preliminary data of the National Bureau of Statistics of China, the gross domestic product (“GDP”) in the first half of 2010 grew by 11.1%, up 3.7 percentage points over the same period in the previous year. Total retail sales of consumer goods and the per capita disposable income of the urban population increased by 18.2% and 10.2% respectively as compared with that of the same period in the previous year. Total revenue of our Group for the first half of 2010 amounted to US\$1,002.4 million, representing an increase of 25.6% as compared with that of the corresponding period in the previous year. The three key product segments, namely, rice crackers, dairy products and beverages and snack foods accounted for 23.5%, 48.1% and 27.3% of our total revenue respectively. Profit attributable to equity holders of the Company was US\$161.3 million, representing an increase of 33.5% as compared with that of the corresponding period in the previous year.

REVENUE

Total revenue of our Group increased by 25.6% from US\$798.1 million in the first half of 2009 to US\$1,002.4 million in the first half of 2010, of which the revenue attributable to rice crackers, dairy products and beverages and snack foods increased by 38.3%, 25.5% and 14.2% respectively.

Rice crackers

Revenue of rice crackers increased by 38.3% from US\$170.3 million in the first half of 2009 to US\$235.6 million in the first half of 2010, primarily due to the late arrival of Chinese New Year (“CNY”) and the inclusion of a greater amount of revenue attributable to the CNY in the current period. Revenue of our core brand “Want Want” rice crackers increased by 37.8% to US\$185.8 million in the first half of 2010 as compared with that of the corresponding period in the previous year. Revenue of gift packs recorded a significant increase of 58.7% from US\$21.4 million in the first half of 2009 to US\$34.0 million in the first half of 2010.

According to the retail research data from The Nielsen Company for the first quarter of 2010, “Want Want” rice crackers was the leading brand in the rice snacks market in China, with a market share, in terms of sales value, of over 70%.

Dairy products and beverages

Revenue of our dairy products and beverages grew by 25.5% from US\$384.1 million in the first half of 2009 to US\$482.1 million in the first half of 2010. Revenue of our main focused product, “pocket-convenient beverages”, increased by 39% due to the launch of a variety of new items. Revenue of the 125ml tetra-pak Hot-Kid milk increased by 34% over the same period of the previous year. However, affected by abnormal weather conditions and a more conservative marketing policy, revenue of other beverages which accounted for 5.4% of this segment revenue decreased by 25.3% over the same period of the previous year.

According to the retail research data from The Nielsen Company for the first quarter of 2010, our Hot-Kid milk held the leading market position in China’s flavoured milk market with a market share, in terms of sales value, of over 45%.

Snack foods

Revenue of our snack foods increased by 14.2% from US\$239.9 million in the first half of 2009 to US\$273.9 million in the first half of 2010. Revenue of ball cakes and candies increased by 28.7% and 19.2% respectively. Revenue of popsicles and jellies recorded a mere growth of 3.6% over the same period in the previous year due to abnormal weather conditions this year, in particular the results of popsicles was flat in comparison with the same period in the previous year.

According to the retail research data from The Nielsen Company for the first quarter of 2010, QQ Gummy was ranked No. 1 in China’s soft candy market with a market share, in terms of sales value, of approximately 27%. We also held the leading position in other crisp snack food market in China with a market share, in terms of sales value, of 23%.

COST OF SALES

Cost of sales increased from US\$490.1 million in the first half of 2009 to US\$620.7 million in the first half of 2010, which was in line with the increase in revenue.

GROSS PROFIT

Owing to the increase in prices of certain raw materials, such as sugar, rice, palm oil and plastic pellets, gross profit margin decreased by 0.5 percentage point from 38.6% in the first half of 2009 to 38.1% in the first half of 2010. Gross profit increased by 23.9% from US\$308.1 million in the first half of 2009 to US\$381.7 million in the first half of 2010.

Rice crackers

The significant growth in sales volume of rice crackers coupled with the increase in average selling price and revenue contribution of the high-margin gift packs had offset against the impact of increase in prices of certain raw materials such as sugar, rice and palm oil, resulting in an increase in gross profit margin of rice crackers by 0.5 percentage point to 42.0% in the first half of 2010 as compared with that of the first half of 2009.

Dairy products and beverages

Dairy products and beverages recorded an increase in gross profit margin of 0.4 percentage point to 34.4% over the corresponding period in the previous year, mainly due to the continued strong demand of Hot-Kid milk and effective cost control.

Snack foods

The gross profit margin of snack foods decreased from 44.4% in the first half of 2009 to 42.0% in the first half of 2010, which was mainly attributable to the increase in prices of raw materials such as sugar and plastic pellets.

DISTRIBUTION COSTS

Although distribution costs increased from US\$114.2 million in the first half of 2009 to US\$132.3 million in the first half of 2010, it accounted for 13.2% of revenue in the first half of 2010, down by 1.1 percentage points over the same period in the previous year due to the benefits of economies of scale. Our advertising and promotion expenses increased by 24.4% to US\$38.7 million, representing 3.9% of revenue which was the same as that of the corresponding period in the previous year. Transportation costs to revenue ratio decreased by 0.4 percentage point to 4.7% due to a decrease in transportation charges and improved supply chain efficiency. As the average number of sales staff in the first half of 2010 decreased as compared with that of the same period in the previous year, corresponding salary costs to revenue ratio decreased by 0.5 percentage point.

ADMINISTRATIVE EXPENSES

Administrative expenses of our Group increased from US\$67.6 million in the first half of 2009 to US\$72.1 million in the first half of 2010. The overall administrative expenses to revenue ratio was 7.2%, representing a decrease of 1.3 percentage points over the same period in the previous year, mainly due to normalisation of the write-off for inventory in this year as compared with the large amount of write-off for inventory recorded in the same period in previous year.

OPERATING PROFIT

Benefiting from our effective cost control, operating profit increased by 41.8% from US\$137.8 million in the first half of 2009 to US\$195.5 million in the first half of 2010, and our operating profit margin increased from 17.3% to 19.5% accordingly.

INCOME TAX EXPENSE

Our income tax expense increased from US\$18.4 million in the first half of 2009 to US\$36.3 million in the first half of 2010, based on a tax rate of 18.4%, which represented an increase of 5.2 percentage points as compared with 13.2% in the same period of the previous year. The increase was attributable to the gradual increase in tax rate after the implementation of the new Corporate Income Tax Law and provision of withholding tax on the dividends from our subsidiaries in the PRC.

PROFIT ATTRIBUTABLE TO OUR EQUITY HOLDERS

The profit attributable to our equity holders increased by 33.5% from US\$120.8 million in the first half of 2009 to US\$161.3 million in the first half of 2010. The margin of profit attributable to our equity holders increased from 15.1% in the first half of 2009 to 16.1% in the first half of 2010.

PROSPECTS

In the first half of 2010, the Group launched a nationwide “Network Strengthening Program” for more effective consolidation of internal, customer and point of sales network resources. The Program includes the following initiatives:

- (i) Strengthening the collaboration with key points of sales on increasing product display areas and expanding the product ranges carried at the key points of sales. For example, the launch of the “Nationwide Pillar Display Program” for special display in selected hypermarkets throughout the PRC and various marketing activities;
- (ii) Implementation and enhancement of a nationwide distributor information system for better transparency and timely information flow between the Company and customers;
- (iii) Establishing a dedicated inspection team to improve the internal control of the sales team and to facilitate the implementation and execution of the Group’s sales and marketing strategies;
- (iv) Focusing on the “Delivering Want Want to Villages” strategy, continuing the expansion of our distribution network, increasing display and further market segmentation;

This Program will be extended to our major operating plan in the second half of this year.

The management believes that through the nationwide “Network Strengthening Program”, the influence of the “Want Want” brand and its unique product portfolio, the Group will continue to possess strong competitiveness in the vast consumer market in the PRC.

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 2010, our bank balances and deposits amounted to US\$644.4 million (31 December 2009: US\$705.1 million) representing a decrease of 8.6%. Over 94% of our cash was denominated in Renminbi.

Our total borrowings as at 30 June 2010 increased by US\$129.9 million to US\$486.6 million (31 December 2009: US\$356.7 million). Over 60% of our borrowings is repayable between 2 to 5 years. More than 97% of our borrowings was denominated in US Dollars.

Our gearing ratio (total borrowings divided by total equity excluding non-controlling interests) increased to 50.8% as at 30 June 2010 from 36.1% as at 31 December 2009. We were in a net cash position (cash and cash equivalents less total borrowings) of US\$157.8 million as at 30 June 2010 (31 December 2009: US\$348.4 million). Cash and cash equivalents less total borrowings balance decreased by US\$190.6 million as compared with the balance as at 31 December 2009, which was mainly attributable to the payment of the 2009 final dividend. We maintain sufficient cash and available banking facilities for our working capital requirements and to capitalize on any potential investment opportunities in the future.

Cash flow

In the first half of 2010, our net cash decreased by US\$60.7 million. US\$74.4 million was generated from our operating activities, while US\$69.9 million and US\$68.7 million were spent on investment and financing activities respectively. Net cash outflows from investment were mainly related to the expansion of production facilities and the purchase of property, plant and equipment.

Capital expenditure

For the year 2010, we have budgeted US\$145.0 million for capital expenditure, mainly for use as capital expenditure to increase production capacity and additional facilities for information and storage in the factories.

During the first half of 2010, our total capital expenditure amounted to US\$70.9 million (first half of 2009: US\$53.1 million). We spent approximately US\$8.3 million, US\$44.4 million and US\$13.4 million on the addition to factory buildings and facilities for rice crackers, dairy products and beverages and snack foods respectively so as to further enhance our production capacity. The remaining amount was spent on capital expenditure on packaging facilities, sales offices etc.

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

Inventory analysis

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

The following table sets forth the number of our inventory turnover days for the six months ended 30 June 2010 and the year ended 31 December 2009:

	Six months ended 30 June 2010	Year ended 31 December 2009
Inventory turnover days	<u>77</u>	<u>102</u>

Trade receivables

Our trade receivables represent the receivables from our customers. The terms of credit granted to our customers are usually 60 to 90 days. Most of our revenue in the PRC are on a cash-on-delivery basis. We only grant credit to customers in our modern sales 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 2010 and the year ended 31 December 2009:

	Six months ended 30 June 2010	Year ended 31 December 2009
Trade receivables turnover days	<u>12</u>	<u>18</u>

Trade payables

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

The following table sets forth the number of our trade payables turnover days for the six months ended 30 June 2010 and the year ended 31 December 2009:

	Six months ended	Year ended
	30 June	31 December
	2010	2009
Trade payables turnover days	35	35

Pledge of assets

As at 30 June 2010, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 30 June 2010, we had approximately 42,400 employees and total remuneration for the first half of 2010 was US\$116.6 million. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and revenue-based rewards. Some Directors and senior management staff of the Company were granted share options under our pre-IPO share option scheme. The employee share option scheme has been put in place for the Company to incentivise employees, and to encourage them to work towards enhancing the value of our Company and promoting the long-term growth of our Company.

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

AUDIT COMMITTEE

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

The unaudited interim results of the Group for the six months ended 30 June 2010 have been reviewed by the Audit Committee and PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2010, except for the deviations from provisions A.2.1 and A.4.1 of the Code. The reasons for these deviations are explained below.

Code A.2.1

Provision A.2.1 of the Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Tsai Eng-Meng performs both the roles of chairman and chief executive officer. Mr. Tsai is the founder of the Group and has over 30 years of experience in food and beverages industry. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Group with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies. The Group shall nevertheless review the structure from time to time in light of the prevailing circumstances.

Code A.4.1

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding directors' securities transactions. The Company has made specific enquiries to all Directors and all Directors have confirmed that they were in compliance with the Model Code during the six months ended 30 June 2010.

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

During the six months ended 30 June 2010, the Company repurchased a total of 11,705,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration (excluding expenses) of HK\$60,009,520. All the repurchased shares were subsequently cancelled. Details of the repurchases are as follows:

Month of repurchases	Total number of ordinary shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate consideration paid (excluding expenses) (HK\$)
February 2010	<u>11,705,000</u>	5.23	5.01	<u>60,009,520</u>

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

Save as disclosed above, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the shares of the Company during the six months ended 30 June 2010.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of US0.9 cents per ordinary share of the Company for the period ended 30 June 2010. The interim dividend is expected to be paid on or about 29 September 2010 to shareholders whose names appear on the register of members of the Company on 16 September 2010. The register of members of the Company will be closed from 13 September 2010 to 16 September 2010 (both days inclusive). In order to qualify for entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on 10 September 2010.

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

Hong Kong, 24 August 2010

As at the date of this announcement, the executive Directors are Mr. TSAI Eng-Meng, Mr. LIAO Ching-Tsun, Mr. CHU Chi-Wen, Mr. TSAI Wang-Chia 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 and Mr. LEE Kwang-Chou.