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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2012	2011	Change
Key income statement items	***US$'000***	*US$'000*	%
Revenue	**3,358,653**	2,946,500	+14.0
Gross profit	**1,328,096**	1,024,863	+29.6
Operating profit	**710,523**	522,451	+36.0
EBITDA [1]	**798,353**	594,744	+34.2
Profit attributable to equity holders of the Company	**553,818**	419,458	+32.0
Key financial ratios	**%**	%	% point
Gross profit margin	**39.5**	34.8	+4.7
Operating profit margin	**21.2**	17.7	+3.5
Margin of profit attributable to equity holders of the Company	**16.5**	14.2	+2.3
Return on equity	**37.9**	34.9	+3.0

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

- Revenue of the Group increased by 14.0% to US$3,358.7 million in 2012.
- Owing to effective cost improvement measures, fall in certain key raw material prices and product price increase during the second half of 2011, gross profit margin of the Group increased by 4.7 percentage points to 39.5% in 2012.
- Profit attributable to equity holders of the Company increased by 32.0% to US$553.8 million.
- The Company proposed a final dividend of US1.96 cents per share, subject to shareholders' approval at the forthcoming annual general meeting to be held on 26 April 2013.

The board (the "Board") of directors (the "Directors") of Want Want China Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2012, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 US$'000	2011 US$'000
Revenue	3	**3,358,653**	2,946,500
Cost of sales		**(2,030,557)**	(1,921,637)
Gross profit		**1,328,096**	1,024,863
Distribution costs		**(388,957)**	(331,816)
Administrative expenses		**(275,065)**	(231,929)
Other income	4	**56,177**	60,917
Other (losses)/gains – net	5	**(9,728)**	416
Operating profit		**710,523**	522,451
Finance income		**51,576**	26,146
Finance costs		**(13,775)**	(10,466)
Finance income – net		**37,801**	15,680
Share of profit of associates		**639**	105
Profit before income tax		**748,963**	538,236
Income tax expense	6	**(194,960)**	(118,662)
Profit for the year		**554,003**	419,574
Profit attributable to:			
Equity holders of the Company		**553,818**	419,458
Non-controlling interests		**185**	116
		554,003	419,574
Earnings per share from profit attributable to equity holders of the Company during the year			
Basic earnings per share	7	**US4.19 cents**	US3.17 cents
Diluted earnings per share	7	**US4.19 cents**	US3.17 cents
Dividends	8	**378,314**	259,108

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Year ended 31 December	
	2012	2011
	US$'000	*US$'000*
Profit for the year	**554,003**	419,574
Other comprehensive income:		
Change in value of available-for-sale financial assets	**1,033**	364
Currency translation differences	**6,927**	93,072
Other comprehensive income for the year	**7,960**	93,436
Total comprehensive income for the year	**561,963**	513,010
Attributable to:		
– Equity holders of the Company	**561,758**	512,817
– Non-controlling interests	**205**	193
Total comprehensive income for the year	**561,963**	513,010

CONSOLIDATED BALANCE SHEET
As at 31 December 2012

		As at 31 December	
	Note	**2012**	2011
		US$'000	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,045,742**	890,952
Leasehold land and land use rights		**130,366**	116,035
Investment properties		**3,173**	3,048
Intangible assets		**1,010**	1,088
Investments in associates		**5,393**	3,044
Deferred income tax assets		**1,402**	779
Available-for-sale financial assets		**6,140**	5,229
Total non-current assets		**1,193,226**	1,020,175
Current assets			
Inventories		**460,821**	410,220
Trade receivables	*9*	**165,901**	159,960
Prepayments, deposits and other receivables		**141,942**	95,789
Financial assets at fair value through profit or loss		**–**	318
Cash and cash equivalents		**1,499,208**	1,437,037
Total current assets		**2,267,872**	2,103,324
Total assets		**3,461,098**	3,123,499

	Note	As at 31 December	
		2012	2011
		US$'000	*US$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**264,555**	264,396
Reserves			
– Proposed final dividend	*8*	**259,264**	179,790
– Others		**1,071,663**	885,561
		1,595,482	1,329,747
Non-controlling interests		**8,087**	2,806
Total equity		**1,603,569**	1,332,553
LIABILITIES			
Non-current liabilities			
Borrowings		**653,000**	250,000
Deferred income tax liabilities		**9,662**	14,561
Other non-current liabilities		**14,201**	9,470
Total non-current liabilities		**676,863**	274,031
Current liabilities			
Trade payables	*10*	**231,415**	211,301
Accruals and other payables		**539,417**	480,652
Current income tax liabilities		**59,834**	50,340
Borrowings		**350,000**	774,622
Total current liabilities		**1,180,666**	1,516,915
Total liabilities		**1,857,529**	1,790,946
Total equity and liabilities		**3,461,098**	3,123,499
Net current assets		**1,087,206**	586,409
Total assets less current liabilities		**2,280,432**	1,606,584

Notes:

1. GENERAL INFORMATION

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

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

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

These financial statements are presented in United States dollars (US$), unless otherwise stated. These financial statements were approved for issue by the Board of Directors on 5 March 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets and financial assets at fair value through profit or loss.

(a) New and amended standards adopted by the Group

- The Hong Kong Institute of Certificated Public Accountants has amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred income tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred income tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

  The Group has adopted this amendment for the financial year ended 31 December 2012, however, this amendment did not have material impact on the Group's consolidated financial statements.

(b) New and amended standards issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

- Amendments to HKFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting, effective for annual periods beginning on or after 1 January 2013.

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

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

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

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

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

- Amendments to HKAS 1 'Presentation of financial statements' regarding other comprehensive income, effective for annual periods beginning on or after 1 July 2012.

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

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

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

- Amendments to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting, effective for annual periods beginning on or after 1 January 2014.

The Group is yet to assess the full impact of the amendments and standards and intends to adopt the amendments no later than the respective effective dates of the amendments.

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.

3. SEGMENT INFORMATION

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

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

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

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

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

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

The revenue of the Group for the years ended 31 December 2012 and 2011 are set out as follows:

	2012	2011
	US$'000	*US$'000*
Rice crackers	**812,083**	816,795
Dairy products and beverages	**1,708,559**	1,393,637
Snack foods	**829,840**	723,014
Other products	**8,171**	13,054
Total revenue	**3,358,653**	2,946,500

The segment information for the year ended 31 December 2012 is as follows:

	Year ended 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 results						
Revenue	**812,083**	**1,708,559**	**829,840**	**8,171**	**–**	**3,358,653**
Segment profit/(loss)	**146,254**	**434,030**	**184,319**	**(548)**	**(53,532)**	**710,523**
Finance income – net						**37,801**
Share of profit of associates						**639**
Profit before income tax						**748,963**
Income tax expense						**(194,960)**
Profit for the year						**554,003**
Other segment items included in the income statement						
Depreciation of property, plant and equipment	**22,771**	**32,408**	**23,971**	**814**	**5,043**	**85,007**
Amortisation of leasehold land and land use rights	**544**	**1,034**	**939**	**91**	**27**	**2,635**
Depreciation of investment properties	**–**	**–**	**–**	**17**	**–**	**17**
Amortisation of intangible assets	**–**	**–**	**–**	**–**	**171**	**171**
Capital expenditure	**41,005**	**99,896**	**67,776**	**32,396**	**2,368**	**243,441**

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						**3,461,098**
Total liabilities	**284,496**	**315,581**	**208,087**	**35,074**	**1,014,291**	**1,857,529**

The segment information for the year ended 31 December 2011 is as follows:

	Year ended 31 December 2011					
	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	816,795	1,393,637	723,014	13,054	–	2,946,500
Segment profit/(loss)	160,465	274,595	132,716	2	(45,327)	522,451
Finance income – net						15,680
Share of profit of associates						105
Profit before income tax						538,236
Income tax expense						(118,662)
Profit for the year						419,574
Other segment items included in the income statement						
Depreciation of property, plant and equipment	18,325	27,176	19,824	876	4,149	70,350
Amortisation of leasehold land and land use rights	377	648	616	94	29	1,764
Depreciation of investment properties	–	–	–	17	–	17
Amortisation of intangible assets	–	–	–	–	162	162
Capital expenditure	32,065	91,992	61,469	33,293	4,724	223,543

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

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

4. OTHER INCOME

	2012	2011
	US$'000	*US$'000*
Government grants	**42,703**	47,416
Sale of scraps	**12,946**	12,418
Rental income from investment properties, net	**92**	120
Others	**436**	963
Total	**56,177**	60,917

The government grants represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group in the PRC.

5. OTHER (LOSSES)/GAINS – NET

	2012	2011
	US$'000	*US$'000*
Net foreign exchange (losses)/gains	**(1,335)**	2,085
Gains on financial assets at fair value through profit or loss	**95**	46
Losses on disposal of available-for-sale financial assets	**(230)**	–
Losses on sales of property, plant and equipment	**(1,109)**	(1,542)
Donation expenses	**(813)**	(1,723)
Losses caused by fire and typhoon	**(8,320)**	–
Others	**1,984**	1,550
Total	**(9,728)**	416

6. INCOME TAX EXPENSE

	2012	2011
	US$'000	*US$'000*
Current income tax:		
Current income tax on profits for the year	**179,108**	108,687
Deferred income tax:		
Withholding tax on dividends from PRC subsidiaries	**15,952**	10,000
Origination of temporary differences	**(100)**	(25)
Income tax expense	**194,960**	118,662

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Effective from 1 January 2008, the Company's subsidiaries incorporated in the PRC are required to determine and pay the Corporate Income Tax ("CIT") in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") as approved by the National People's congress on 16 March 2007 and Detailed Implementations Regulations of the New CIT Law (the "DIR") as approved by the State Council on 6 December 2007. According to the New CIT Law and DIR, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008. For enterprises which are established before the publication of the New CIT Law and are entitled to preferential treatments of reduced CIT rates granted by relevant tax authorities, the new CIT rate will be gradually increased from the preferential rates to 25% within 5 years after the effective date of the New CIT Law on 1 January 2008. For the regions that enjoy a reduced CIT rate at 15%, the tax rate would gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to the grandfathering rules stipulated in the DIR and related circulars. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatments until the fixed term expires.

Enterprises incorporated in Taiwan, Hong Kong and other places (mainly including Singapore, Japan and British Virgin Islands) are subject to income tax at the prevailing rates of 17%,16.5% and 0% to 30% (2011: 17%,16.5% and 0% to 30%) respectively.

7. 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 year.

	2012	2011
Profit attributable to equity holders of the Company (US$'000)	**553,818**	419,458
Weighted average number of ordinary shares in issue (thousands)	**13,225,539**	13,217,578
Basic earnings per share	**US4.19 cents**	US3.17 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.

	2012	2011
Profit attributable to equity holders of the Company (US$'000)	**553,818**	419,458
Weighted average number of ordinary shares in issue (thousands)	**13,225,539**	13,217,578
Adjustments for share options (thousands)	**1,780**	5,638
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**13,227,319**	13,223,216
Diluted earnings per share	**US4.19 cents**	US3.17 cents

8. DIVIDENDS

	2012	2011
	US$'000	*US$'000*
Interim dividend paid of US0.90 (2011: US0.60) cents per ordinary share	**119,050**	79,318
Proposed final dividend of US1.96 (2011: US1.36) cents per ordinary share	**259,264**	179,790
	378,314	259,108

On 5 March 2013, the Board recommended the payment of a final dividend of US1.96 cents (2011: US1.36 cents) per ordinary share, totalling US$259,264,000 (2011: US$179,790,000) for the year ended 31 December 2012. The proposed final dividend in respect of the year ended 31 December 2012 is calculated based on the total number of shares in issue as at the date of this announcement. The payment of the proposed final dividend is to be approved by the shareholders at the Company's forthcoming Annual General Meeting. The financial statements do not reflect this dividend payable.

The dividends paid in 2012 amounted to US$298,947,000 (2011: US$259,108,000), comprising the final dividend for the year ended 31 December 2011 of US$179,897,000 and the interim dividend for the six months ended 30 June 2012 of US$119,050,000, which were paid in May and October 2012 respectively. The aggregate amounts of the dividends paid and proposed during 2012 and 2011 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

9. TRADE RECEIVABLES

	2012	2011
	US$'000	*US$'000*
Trade receivables		
– from third parties	**167,039**	161,060
– from a related party	**1,595**	1,240
	168,634	162,300
Less: provision for impairment of trade receivables	**(2,733)**	(2,340)
Trade receivables, net	**165,901**	159,960

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 (2011: 60 to 90 days).

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

	2012	2011
	US$'000	*US$'000*
Within 60 days	**150,183**	153,959
61-90 days	**13,034**	5,490
91-180 days	**4,607**	1,580
181-365 days	**197**	362
Over 365 days	**613**	909
	168,634	162,300

As at 31 December 2012, trade receivables aged over 90 days amounted to US$5,417,000 (2011: US$2,851,000) which were impaired and provided for. The amount of provision was US$2,733,000 (2011: US$2,340,000). The individually impaired receivables mainly related to the customers with different credit ratings. It is assessed that a portion of the receivables is expected to be recovered.

10. TRADE PAYABLES

	2012	2011
	US$'000	*US$'000*
Trade payables – to third parties	**231,415**	211,301

The ageing analysis of the trade payables as at 31 December 2012 and 2011 is as follows:

	2012	2011
	US$'000	*US$'000*
Within 60 days	**194,108**	199,485
61 to 180 days	**33,972**	8,930
181 to 365 days	**1,079**	886
Over 365 days	**2,256**	2,000
	231,415	211,301

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

Since China was affected by the global economic conditions in 2012, the gross domestic product ("GDP") growth rate slowed down slightly to 7.8% while total retail sales of consumer goods and per capita disposable income of the urban population grew by 14.3% and 12.6% respectively. Notwithstanding the global economic slowdown, total revenue of our Group for 2012 amounted to US$3,358.7 million, representing an increase of 14.0% over the previous year. The three key product segments, namely, rice crackers, dairy products and beverages and snack foods accounted for 24.2%, 50.9% and 24.7% of our total revenue respectively. Benefiting from improved gross profit margin and effective cost control measures, profit attributable to equity holders of the Company increased by 32.0% to US$553.8 million as compared with that of the previous year.

REVENUE

Total revenue of our Group increased by 14.0% from US$2,946.5 million in 2011 to US$3,358.7 million in 2012, of which, revenue attributable to dairy products and beverages as well as snack foods increased by 22.6% and 14.8% respectively. Revenue attributable to rice crackers was substantially the same as that of 2011 due to the shift in calendar dates of the lunar new years.

Rice crackers

Revenue of rice crackers for 2012 amounted to US$812.1 million. As the revenue of rice crackers recorded during lunar new year represents a significant portion of our annual sales, the dates on which lunar new year falls have a significant impact on the annual sales of rice crackers of the Group. Since the number of days for recording lunar new year sales in 2012 was shorter than that of 2011 and 2013, revenue of rice crackers recorded in 2012 for this festive season was smaller than that of 2011. In particular, revenue from our gift pack decreased from US$232.8 million in 2011 to US$217.6 million in 2012 but we expect the seasonality effect of our lunar new year sales to return to normal in 2013. The overall performance of our rice crackers was also affected in part by the suspension of our sale of sub-brand rice cracker products in the first half of 2012 due to profit consideration. However, revenue of our core brand, "Want Want" rice crackers, recorded a growth of 4.0% from 2011 to US$577.8 million. In the future, our Group will introduce different flavoured rice crackers and invest in shopping guides and displays at points-of-sales to drive rice cracker products consumption.

Dairy products and beverages

Revenue of dairy products and beverages grew by 22.6% from US$1,393.6 million in 2011 to US$1,708.6 million in 2012 which was driven mainly by the steady growth in the sales of "Hot-Kid milk" and the realization of the associated price increase strategy. Despite the overall market slowdown in 2012, revenue of "Hot-Kid milk" increased by 23.3% over the previous year to US$1,529.0 million in 2012 due to its firmly established reputation. Besides, revenue of other beverages, which accounted for 7.7% of the revenue of dairy products and beverages, increased by 37.2% over the previous year. In particular, the revenue of yogurt drinks and "O Bubble fruit milk" increased by 43.4% and 27.0% respectively over the previous year. The Group will continue to launch specific products with high margin and continue to leverage on our established brands and channels towards the sustainable revenue growth of our dairy products and beverages.

Snack foods

Revenue of snack foods increased by 14.8% from US$723.0 million in 2011 to US$829.8 million in 2012, primarily due to our effective marketing strategy and well management of points-of-sales. All our main snack food products recorded a remarkable growth where revenue of popsicles and jellies, ball cakes as well as beans and others increased by 16.8%, 17.2% and 22.6%, respectively, over the previous year. The Group will organize various marketing activities in the future and work towards more impressive display at points-of-sales to highlight and present our snack foods products in an eye-catching manner and draw consumers' attention so as to drive revenue growth.

COST OF SALES

Cost of sales increased from US$1,921.6 million in 2011 to US$2,030.6 million in 2012, which was in line with our revenue increase. The prices of certain key raw materials such as sugar, potato starch, palm oil and milk powder fell at various scales. Our Group has always emphasized on quality as the foundation of an enterprise. In order to achieve continuous quality enhancement and cost control effectiveness, we have carried out a nationwide Quality Control Circle (QCC) program in our factories since 2011 and have achieved positive preliminary results. The Group will further expand the QCC program to achieve optimization of production quality and efficiency. In addition, to maintain the quality and stability in the supply of major raw materials, the Group will also enter into long-term strategic alliances with major suppliers to ensure our products will enjoy the best competitive advantage.

GROSS PROFIT

Owing to our effective cost improvement measures, fall in certain key raw material prices and product price increases during the second half of 2011, gross profit margin increased by 4.7 percentage points from 34.8% in 2011 to 39.5% in 2012. The Group's gross profit increased by 29.6% from US$1,024.9 million in 2011 to US$1,328.1 million in 2012.

Rice crackers

Gross profit margin of rice crackers increased by 1.4 percentage points from 2011 to 39.0% in 2012, attributable mainly to progressive price increases during the second half of 2011 and also improved cost-cutting measures adopted by the Group as well as fall in raw material prices such as palm oil, sugar and plastic packaging materials which offset part of the labour cost increases. In the future, the management will continue to devote to the continuous enhancement of various improvement measures. Besides, as the proportion of labour costs in rice crackers is higher than that of the two other types of products, our Group will carry out automation projects in several rice crackers production plants in the coming years to cope with labour shortages and escalating labour cost as well as to ensure consistency and stability in our product quality in the long run.

Dairy products and beverages

The gross profit margin of dairy products and beverages in 2012 increased by 6.1 percentage points to 39.5% over the previous year as a result of various measures including effective product price increases, adopted by the Group. The optimization of product structure and price adjustment of our Pocket-Drinks and yohurt drinks have also made positive contributions to our gross profit. In addition, the prices of major raw materials such as milk powder and sugar also came down. In the future, the management will continue to focus on operational efficiency as well as the details of key raw material procurement, so as to ensure the stability of the quality of our dairy products and beverages while achieving the best competitive advantage for the cost structure of these products.

Snack foods

The gross profit margin of snack foods increased by 5.9 percentage points from 34.5% in 2011 to 40.4% in 2012. The significant increase in gross profit margin of snack foods was attributed mainly to the impact of various improvement measures adopted by the management since the second half of 2011 and the decrease in prices of raw materials such as potato starch, sugar and plastic packaging materials. The management will continue to take proactive and effective measures in response to market conditions and the Group will consolidate several production lines to improve supply chain efficiency and optimize our cost structure.

DISTRIBUTION COSTS

Distribution costs increased by 17.2% from US$331.8 million in 2011 to US$389.0 million in 2012. Distribution costs accounted for 11.6% of revenue in 2012, up by 0.3 percentage point over the previous year mainly due to the increase in labour cost. In addition, advertising and promotion expenses of the Group amounted to US$100.8 million in 2012, representing 3.0% of revenue and 0.2 percentage point higher than that of the previous year, which was mainly due to the increase in expenses associated with the modern channel. Transportation expense to revenue ratio decreased by 0.1 percentage point to 4.1% as compared with that of the previous year, which was attributed mainly to improving supply chain efficiency.

ADMINISTRATIVE EXPENSES

Administrative expenses increased from US$231.9 million in 2011 to US$275.1 million in 2012, primarily due to the increase in labour cost, urban maintenance and construction tax, education surcharge and research and development expenses. The overall administrative expense to revenue ratio was 8.2%, representing an increase of 0.3 percentage point over the previous year.

OPERATING PROFIT

Due to the increase in gross profit margin and the effective management of distribution cost, operating profit margin increased by 3.5 percentage points from 17.7% in 2011 to 21.2% in 2012. Operating profit increased by 36.0% from US$522.5 million in 2011 to US$710.5 million in 2012.

INCOME TAX EXPENSE

Our income tax expense increased from US$118.7 million in 2011 to US$195.0 million in 2012, based on a tax rate of 26.0% which represented an increase of 4.0 percentage points over the tax rate of 22.0% in the previous year. The increase was attributed to the expiry of the tax preferential treatment of most of the Company's PRC subsidiaries and the increase in withholding tax provision on dividend distributions from the Company's PRC subsidiaries.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Benefiting from the improved gross profit margin and effective cost control measures, the profit attributable to equity holders of the Company increased by 32.0% from US$419.5 million in 2011 to US$553.8 million in 2012. The margin of profit attributable to equity holders of the Company increased by 2.3 percentage points from 14.2% in 2011 to 16.5% in 2012.

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 31 December 2012, our bank balances and deposits amounted to US$1,499.2 million (31 December 2011: US$1,437.0 million) representing an increase of 4.3%. Over 97% of our cash was denominated in RMB.

Our total borrowings as at 31 December 2012 decreased by US$21.6 million to US$1,003.0 million (31 December 2011: US$1,024.6 million). Over 65% of our borrowings had a maturity of more than 1 year and more than 99% of our borrowings was denominated in US dollars.

We were in a net cash position (cash and cash equivalents less total borrowings) of US$496.2 million as at 31 December 2012 (31 December 2011: US$412.4 million). Cash and cash equivalents less total borrowings balance increased by US$83.8 million as compared with that as at 31 December 2011. Our net gearing ratio (total borrowings net of cash and cash equivalents divided by total equity at the end of the period (excluding non-controlling interests)) as at 31 December 2012 was -31.1% (31 December 2011: -31.0%). We maintain sufficient cash and available banking facilities for our working capital requirements and for capitalizing on any potential investment opportunities in the future. The management will from time to time make prudent financial arrangements and decisions to address changes in the domestic and international financial environment.

Cash flow

In 2012, our net cash increased by US$62.2 million. US$615.8 million was generated from our operating activities. US$312.0 million was spent on financing activities and US$244.0 million was spent on investment activities. Cash outflow from financing activities was mainly used in paying our dividends of US$299.0 million. Cash outflow from investment activities was mainly related to the expansion of production facilities and the purchase of property, plant and equipment.

Capital expenditure

Capital expenditure for the Group in 2013 is expected to be around US$270 million. This amount will be used mainly in acquiring factory land, constructing factories and acquiring machinery and equipment and adding facilities for information technology, warehousing and storage.

In 2012, our total capital expenditure amounted to US$243.4 million (2011: US$223.5 million). We spent approximately US$41.0 million, US$99.9 million and US$67.8 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. The remaining capital expenditure was mainly expensed on adding information technology and packaging facilities.

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

Inventory analysis

Our inventory consists primarily of finished goods, goods in transit, 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 years ended 31 December 2012 and 31 December 2011:

	Year ended 31 December	
	2012	2011
Inventory turnover days	**78**	71

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 sales in the PRC is on a cash-on-delivery basis. We only grant credit to customers in our modern channels, which then on-sell our products to end-consumers.

The following table sets forth the number of our trade receivables turnover days for the years ended 31 December 2012 and 31 December 2011:

	Year ended 31 December	
	2012	2011
Trade receivables turnover days	**18**	16

Trade payables

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

The following table sets forth the number of our trade payables turnover days for the years ended 31 December 2012 and 31 December 2011:

	Year ended 31 December	
	2012	2011
Trade payables turnover days	**40**	37

Pledge of assets

As at 31 December 2012, none of our assets was pledged.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 31 December 2012, we had approximately 56,000 employees and our total remuneration expense in 2012 was US$429.1 million, representing an increase of 22.6% over the previous year. The remuneration packages of our employees include fixed salary, commissions and allowances (where applicable), and revenue-based rewards.

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 the 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 rate risk as the Group considers the exposure, after netting off the assets and liabilities subject to foreign exchange risk, is not significant.

PROSPECTS

2012 marks the 30th anniversary of the founding of Want Want and the 20th anniversary of our entry into mainland China. We cherished our current results that has not come easily and we are confident in our future and our spirit is high.

The slowdown in the Chinese economy and overall retail industry in 2012 have further reinforced our dedication in implementing our marketing initiatives in recent years. The visibility of our great variety of Want Want products is greatly enhanced when our Want Want products appear in thousands of points-of-sales by way of standardized shelf spaces and displays customized based on product features. At the same time, the determination of our distributors and retail partners in carrying our products in the long run is fortified. All of the above is critical to the medium and long term development of our Want Want brand and products. In the future, we will continue to invest in shopping guides and other resources at our points-of-sales to help consumers to find and readily add their favorite Want Want products to their shopping carts.

Further, in view of rising labour costs in mainland China, we have launched a series of production automation program, which included upgrading selected equipment, optimizing production process and concentrating certain of our production lines in our new highly automated facility. Through our efforts and commitment to continuous improvement, we hope to ensure stability in our product quality and also for our products to achieve the highest competitiveness.

To ensure our products with Chinese characteristics attract market attention, we will continue to optimize our business organizational structure according to market needs, which include dividing the current business group into product divisions in order to assign staff dedicated to groom products with lower visibility. We will also increase the number of regional product managers in our sales division who will work closely with the central product managers to ensure customer satisfaction and effective use of channel resources to meet our intensive market development objective.

Although we have been thriving in the China market for 20 years, we still have to be creative and flexible at all times to cope with the changing market. We believe the competition for "people" is our major competition in the future, which includes gaining the recognition of our Company from our customers, suppliers and employees. Therefore, we will continue to provide value-added services to our distributors and retailers, establish long-term strategic partnership with our major suppliers and find means to improve employees' loyalty. We firmly believe that the future of our Group will be a wonderland filled with hopes and boundless possibilities, if all of our Want Want people can cooperate wholeheartedly and seamlessly.

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 Audit Committee has reviewed with management and our Group's auditor the accounting principles and practices adopted by our Group and discussed internal control and financial reporting matters for the year ended 31 December 2012. The Audit Committee has also reviewed the annual results for the year ended 31 December 2012.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures contained in the preliminary announcement of our Group's results for the year have been agreed by our Group's auditor, PricewaterhouseCoopers, to the amounts set out in our Group's consolidated financial statements for the year ended 31 December 2012. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagements, or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the"Old 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") was amended and revised as the Corporate Governance Code (the "CG Code") which became effective on 1 April 2012. We have, throughout the year ended 31 December 2012, complied with the code provisions of the Old Code and the CG Code as and when they were/are applicable and in force, except for the deviations from 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.

We will periodically review and improve our corporate governance practices with reference to the latest corporate governance developments.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

Our 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 year ended 31 December 2012.

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

During the year ended 31 December 2012, neither our Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of our Company.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of our Company (the "AGM") be held on 26 April 2013. The notice of the AGM will be published on our Company's website and sent to the shareholders of our Company in due course.

In order to qualify to attend and vote at the forthcoming AGM, 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 22 April 2013. The register of members of the Company will be closed from 23 April 2013 to 26 April 2013 (both dates inclusive).

PROPOSED FINAL DIVIDENDS AND BOOK CLOSURE FOR ENTITLEMENT OF THE PROPOSED DIVIDEND

The Board has recommended the payment of a final dividend of US1.96 cents per ordinary share of the Company in respect of the year ended 31 December 2012. Subject to the approval of shareholders at the forthcoming AGM to be held on 26 April 2013, the final dividend will be paid on or about 23 May 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 dollars final dividend will be calculated with reference to the exchange rate of United States dollars against Hong Kong dollars on 26 April 2013, being the date of the 2013 AGM on which the final dividend will be proposed to the shareholders of the Company for approval.

In order to qualify for the above mentioned final 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 3 May 2013. The register of members of the Company will be closed from 6 May 2013 to 8 May 2013 (both dates inclusive).

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

Hong Kong, 5 March 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.