萬洲國際
WH GROUP

萬洲國際有限公司
WH GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 288

ANNUAL REPORT 2015

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CORPORATE INFORMATION

Legal Name of the Company
WH Group Limited

Place of Listing and Stock Code
The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on August 5, 2014

Stock Code: 288

Company Website
www.wh-group.com

Directors
Executive Directors
Mr. WAN Long (Chairman and Chief Executive Officer)
Mr. GUO Lijun (Executive Vice President and Chief Financial Officer)
Mr. ZHANG Taixi (General Manager of Shuanghui Group)
Mr. SULLIVAN Kenneth Marc (President and Chief Executive Officer of Smithfield)
Mr. YOU Mu (President of Shuanghui Development)

Non-executive Director
Mr. JIAO Shuge (Deputy Chairman)

Independent Non-executive Directors
Mr. HUANG Ming
Mr. LEE Conway Kong Wai
Mr. LAU, Jin Tin Don

Company Secretary
Mr. CHAU Ho

Audit Committee
Mr. LEE Conway Kong Wai (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

Remuneration Committee
Mr. HUANG Ming (Chairman)
Mr. LEE Conway Kong Wai
Mr. JIAO Shuge

Nomination Committee
Mr. WAN Long (Chairman)
Mr. HUANG Ming
Mr. LAU, Jin Tin Don

Environmental, Social and Governance Committee
Mr. GUO Lijun (Chairman)
Mr. SULLIVAN Kenneth Marc
Mr. ZHANG Taixi
Mr. LAU, Jin Tin Don

Food Safety Committee
Mr. WAN Long (Chairman)
Mr. SULLIVAN Kenneth Marc
Mr. ZHANG Taixi
Mr. LEE Conway Kong Wai

Auditor
Deloitte Touche Tohmatsu

Legal Advisor
Paul Hastings

Principal Bankers
AgFrist Farm Credit Bank
Agricultural Bank of China
Bank of America Merrill Lynch
Bank of China
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland)
DBS Bank
Industrial and Commercial Bank of China

Authorised Representatives
Mr. WAN Long
Mr. CHAU Ho

Share Registrar and Transfer Office
Principal
Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

Hong Kong Branch
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office
Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business and Corporate Headquarters in Hong Kong
Unit 7602B-7604A
Level 76, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Compliance Advisor
Guotai Junan Capital Limited
27F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

FINANCIAL HIGHLIGHTS

	2015	2014
Key operating data		
Hogs produced (thousand heads)	**19,077**	17,685
Hogs processed (thousand heads)	**48,335**	47,170
Fresh pork external sales volume (thousand metric tons)	**3,870**	3,764
Packaged meat products sales volume (thousand metric tons)	**3,183**	3,227

	2015		2014	
	Results before biological fair value adjustments	**Results after biological fair value adjustments**	Results before biological fair value adjustments	Results after biological fair value adjustments
	US$ million, unless otherwise stated		US$ million, unless otherwise stated	
Key financial data				
Turnover	**21,209**	**21,209**	22,243	22,243
EBITDA(1)	**2,044**	**1,917**	2,113	2,158
Operating profit(2)	**1,557**	**N/A**	1,614	N/A
Profit attributable to owners of the Company	**866**	**786**	737	766
Underlying profit attributable to owners of the Company(3)	**866**	**786**	892	921
Diluted earnings per share (US cents)	**6.06**	**5.50**	5.88	6.11
Underlying diluted earnings per share (US cents)(4)	**6.06**	**5.50**	7.12	7.35
Proposed dividend per share (HK$)(5)	**0.125**	**0.125**	–	–

- Turnover decreased by 4.6% on a year-on-year basis
- Operating Profit decreased by 3.5% on a year-on-year basis
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 17.5% on a year-on-year basis
- Underlying profit attributable to owners of the Company, before biological fair value adjustments, decreased by 2.9% on a year-on-year basis

Notes:

(1) EBITDA refers to profit for the year before taxation, finance costs, depreciation and amortisation.

(2) Operating profit ("**Operating Profit**") refers to the measure of our segment earnings, and excludes taxation, finance costs, biological fair value adjustments, other income/expenses that are not allocated to our segments as well as share of profits of joint-ventures and associates.

(3) Underlying profit attributable to owners of the Company in 2014 excluded the impact of listing expenses of US$31 million and finance costs (interest expense and amortisation of transaction costs), in respect of the refinancing and partial repayment of a syndicated term loan relating to the acquisition of Smithfield in 2013, amounted to US$124 million in aggregate.

(4) Calculation of the underlying diluted earnings per share is based on underlying profit attributable to owners of the Company.

(5) An annual dividend of HK$0.125 per share for the year ended December 31, 2015 (2014: nil) was recommended by the Board. The proposed dividend will be paid on or about Monday, June 13, 2016 following approval at the forthcoming annual general meeting of the Company to those shareholders whose names appear on the register of members of the Company at the close of business on Friday, May 27, 2016.

Major Achievements

RECORD YEAR

Shuanghui Development delivered yet another year of record profit

Consolidated leverage ratio (net debt to equity) improved to 41.4% (down 19.6 pp from 2014)

Packaged meat products

Sales volume grew substantially in U.S. and Europe (up 7.1% and 3.8% from 2014)

Per unit profit in both China (US$494/ton, up 22.7% from 2014) and U.S. (US$483/ton, up 38.6% from 2014) reached their respective all-time high

Smithfield branded packaged meat products ranked the second fastest growing in retail channel among top 25 food companies in U.S.[1]

905 SKUs of new products were launched globally

Production of Smithfield branded American style products was commenced in Zhengzhou, China on December 18, 2015.

Fresh pork

5000

About 5,000 points of sales were added in China

Strong double digit growth of 90% in terms of export volume from U.S. to China

Consolidation of the entire fresh pork brand portfolio in U.S. under one "Smithfield" brand

Hog production

Per unit profit in U.S. was US$0.8/head, much higher than the industry average[2]

82% of sows on company-owned farms in U.S. have been transitioned to group housing (up 10% from 2014)

Sources:
(1) Information Resources, Inc.
(2) Iowa State University

CHAIRMAN'S STATEMENT

Wan Long
Chairman of the Board and Chief Executive Officer

Dear **Shareholders**,

The macro environment and our industry were full of challenges in 2015. However, relying on our competitive advantages of having a fully integrated business model and the effective management of our global operations, our business as a whole performed satisfactorily. In 2015, the Group produced 19.1 million hogs, processed 48.3 million hogs, sold 3.9 million metric tons of fresh pork and 3.2 million metric tons of packaged meat products. The consolidated turnover and net profit were US$21.2 billion and US$1.0 billion, respectively. Benefiting from our strong cash flows, we continued to improve our capital structure to a great extent. Net debt to equity ratio of the Group at the year-end of 2015 was 41%, a decrease of 20 percentage points from last year. The Board has recommended payment of an annual dividend of HK$0.125 per Share in this year. When approved by you in the forthcoming AGM, this will be the first dividend payment since our listing on the Stock Exchange on August 5, 2014.

As a global food company, we have to pay attention to and cope with the changing environment in the various markets. Facing the "new normal" of slower economic growth and evolving consumption patterns in China, we utilize our strengths in full to develop new products constantly and modify our product portfolio so as to lead the market trend; to source globally and manage our inventory strategically so as to lower costs; and to undergo business process reengineering and foster technological innovation so as to improve efficiency. These measures enabled us to achieve net earnings growth notwithstanding the market downturn. In U.S., we have been vigorously promoting the transformation of our business there from a commodity supplier to a branded packaged meat company, streamlining our operating structure from numerous individually-run companies into four business units and centralizing our management under the "One Smithfield" initiative. As a result, we were able to unlock the full value of our business chain, to enhance our operating efficiency and to lower our costs, thus achieving both volume and profit growth in our U.S. packaged meats business.

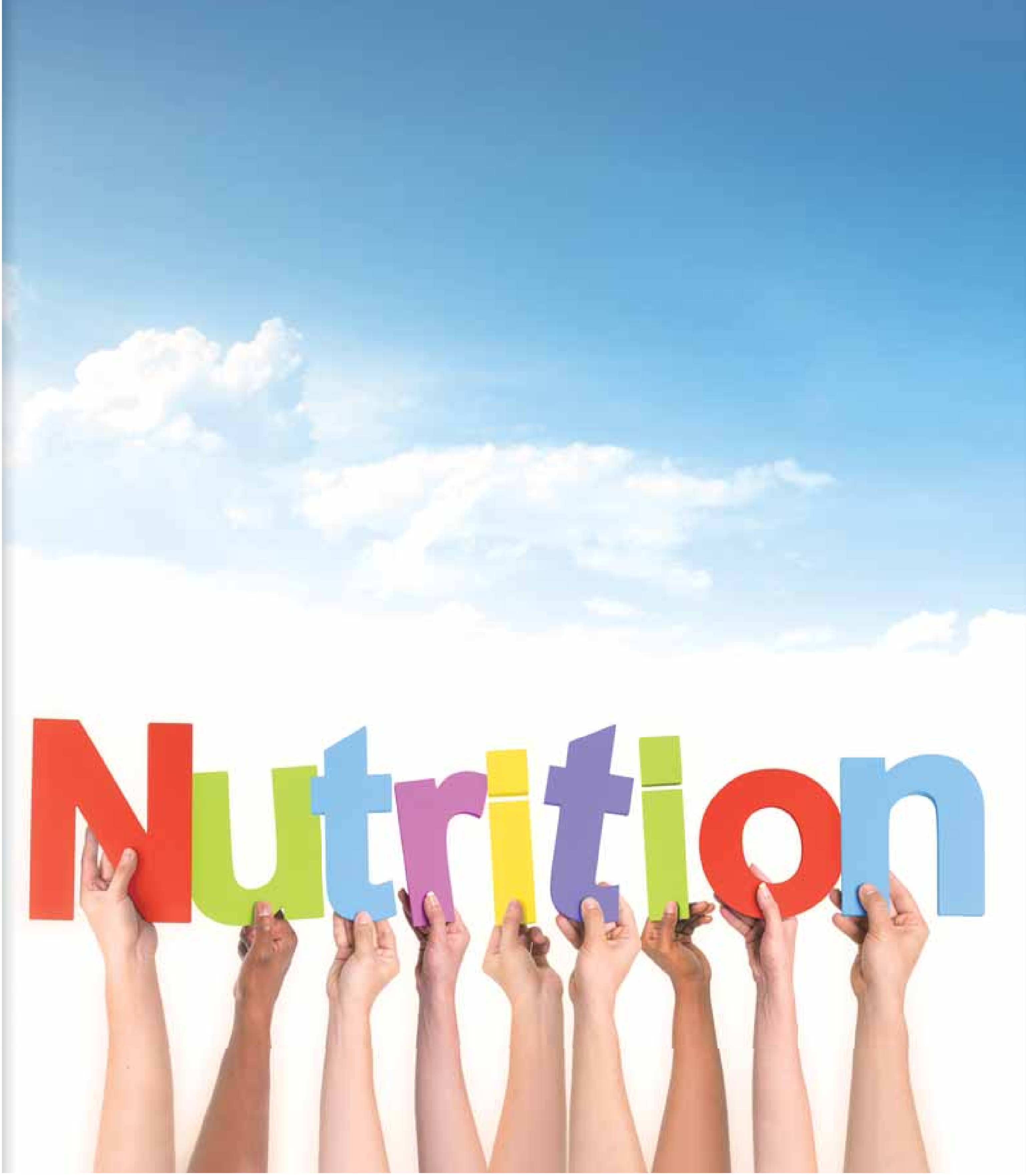
We have been actively engaged in the integration of our internal resources to maximize synergies. We expanded the export of pork from U.S. to China. This increased the profit of our U.S. operation and reduced the costs of our China operation. We also introduced the raw materials, equipment, technology, management and brand from Smithfield into China for the production of authentic American style packaged meats. This pointed to a new direction for the adjustment of our product portfolio, promoted the upgrading of our industry and added a new driver to the growth of our China business.

As a global leader in our industry, we are dedicated to our sustainable development. We have been implementing stringent food safety control systems so as to provide consumers with quality food. We care about animal welfare. We endeavor to consume less energy and prevent pollution so as to reduce the impact of our operations on the environment. We are proud of supporting the communities where we operate. Our commitment to sustainability is long-standing. We will continue to improve our sustainability measures to do better.

To conclude, WH Group has entered into a new era of development. We are confident about 2016 as well as future. Going forward, we will actively participate in global competition so as to further solidify and strengthen our leading position in the global market. We will strive to deliver value for our investors and grow together with our stakeholders in order to create a better future for all. On behalf of the Board, I would also like to express my appreciation to our diligent people for their steadfast support to the Group.

Wan Long
Chairman of the Board and
Chief Executive Officer,
WH Group Limited

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



Board of Directors

The Board consists of nine Directors, of whom five are executive Directors, one is a non-executive Director and the remaining three are independent non-executive Directors.

WAN Long (萬隆)

Executive Director, Chairman and Chief Executive Officer

WAN Long (萬隆) age 75, was appointed as a Director on October 16, 2007 and has been the Chairman of our Board since November 26, 2010. He also holds directorships in various subsidiaries of the Group. He was designated as our executive Director on December 31, 2013 and has been the Company's chief executive officer since October 2013. Mr. Wan has been the chairman of the board of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 20, 2012. Mr. Wan joined Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) in May 1968 and became the general manager of the factory in 1984. Under Mr. Wan's direction, our business has grown from a local state-owned enterprise in Henan Province into an international company with operations spanning various continents. Mr. Wan has over 40 years of experience in the meat processing industry. He has been a representative of the Ninth to Twelfth China's National People's Congress (中華人民共和國全國人民代表大會) in 1998, 2003, 2008 and 2013 and was appointed as an executive director of the China Meat Association (中國肉類協會) effective until December 2011 and a senior consultant of the China Meat Association (中國肉類協會) in 2001. Mr. Wan received his professional certificate in business management from the Henan University of Animal Husbandry and Economy (河南牧業經濟學院, previously The Henan Business College (河南商業專科學校)) in May 1991 and was awarded the senior economist professional qualification issued by the Henan Province Advanced Professional Titles Adjudication Committee (Economic Disciplines) (河南省經濟系列高級評審委員會) in July 1999. Mr. Wan is the father of Mr. Wan Hongjian.

JIAO Shuge (焦樹閣)

Non-Executive Director and Deputy Chairman

JIAO Shuge (焦樹閣), age 50, was appointed as our Director on April 28, 2006 and as the deputy chairman of our Board on November 26, 2010. He also holds directorships in various subsidiaries of the Group. He was designated as a non-executive Director on December 31, 2013. Mr. Jiao has been a director of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 20, 2012. Mr. Jiao was appointed as a director of CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited, each of which is a Shareholder of the Company, on February 27, 2006, March 9, 2007, July 27, 2009 and December 16, 2009, respectively. Mr. Jiao is also currently a director and managing partner of CDH China Management Company Limited.

Mr. Jiao was a researcher in the China Aerospace Service and Technology Corporation (中國航天科技集團公司第710研究所) from August 1989 to January 1995. He served as the vice general manager of the direct investment department of China International Capital Corporation Ltd. (中國國際金融有限公司) from December 1995 to August 2002. Mr. Jiao has a broad range of experience serving as directors of various listed companies, including as a non-executive director from February 18, 2004 to April 12, 2012 and as an independent non-executive director since April 12, 2012 of China Mengniu Dairy Co., Ltd. (a company listed on the Stock Exchange with stock code 02319). He also served as a non-executive director of China Yurun Food Group Limited (a company listed on the Stock Exchange with stock code 01068) from April 13, 2005 to September 22, 2012, a non-executive director of China Shanshui Cement Group Co., Ltd. (a company listed on the Stock Exchange with stock code 00691) from November 30, 2005 to May 16, 2014, a director of Joyoung Company Limited (a company listed on the Shenzhen Stock Exchange with stock code 002242) from September 12, 2007 and an independent non-executive Director of China Southern Airlines Company Limited (a company listed on the Stock Exchange with stock code 1055) since June 2015.

Mr. Jiao graduated from Shandong University (山東大學) with a bachelor of mathematics in July 1986, and obtained his master's degree in engineering from the No.2 Research Institute of Ministry of Aeronautics and Astronautics of China in October 1989.

GUO Lijun (郭麗軍)
Executive Director, Executive Vice President and Chief Financial Officer

GUO Lijun (郭麗軍), age 45, was appointed as an executive Director on December 31, 2013. He has also served as an executive vice president and the chief financial officer of the Company since April 2016 and holds directorships in various subsidiaries of the Group. Prior to this, Mr. Guo was our deputy chief executive officer from October 2013 to January 2014, and a vice president and the chief financial officer of the Company from January 2014 to March 2016. Mr. Guo has over 20 years of experience overseeing the financial operations of various companies. Mr. Guo worked as an accountant in the finance department of the Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) from June 1993 to March 1996. Mr. Guo was also the financial controller of Luohe Chinachem Shuanghui Packaging Industry Co., Ltd. (漯河華懋雙匯化工包裝有限公司) and Luohe Chinachem Shuanghui Plastic Processing Co., Ltd. (漯河華懋雙匯塑膠工程有限公司) from April 1996 to February 2001. Mr. Guo held various positions in Shuanghui Group from March 2001 to August 2012, including serving as its deputy director, its director of the finance department and its chief financial officer. In addition, Mr. Guo was also the executive vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) from August 2012 to October 2013.

Mr. Guo obtained his adult higher education diploma in financial accounting from Henan Radio and Television University (河南廣播電視大學) in July 1994 and obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University (中國人民大學研究生院) in December 2004. Mr. Guo received his assistant accountant certificate awarded by the PRC Ministry of Personnel (中華人民共和國人事部) in October 1994.

ZHANG Taixi (張太喜)

Executive Director; General Manager of Shuanghui Group

ZHANG Taixi (張太喜), age 43, was appointed as an executive Director on December 31, 2013. Mr. Zhang has been appointed as a director of Shuanghui Group since January 2014, and has been its general manager since September 2015. He also holds directorships in various subsidiaries of the Group. From 1996 to September 2007, Mr. Zhang worked as a workshop manager in Luohe Canned Foods Company Limited (漯河罐頭食品股份有限公司); as the deputy director of the control center, the workshop manager and the deputy factory director of the Shuanghui Development Meat Products Division Factory (雙匯發展肉製品分廠); and as a general manager of the Ham Sausage Factory of Shuanghui Development (雙匯發展火腿腸分廠). He served as the general manager of Tangshan Shineway Food Co., Ltd. (唐山雙匯食品有限責任公司) from July 2008 to September 2008 and Jiangsu Huai'an Shuanghui Food Co., Ltd. (江蘇淮安雙匯食品有限責任公司) from October 2008 to May 2011. From June 2011 to August 2012, Mr. Zhang worked as the general manager of the business division of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary). Mr. Zhang served as the president of Shuanghui Development from August 2012 to August 2015, and as a director of Shuanghui Development from March 2014 to August 2015. Mr. Zhang graduated from Luoyang Agricultural College (洛陽農業高等專科學校) and obtained his associate degree of sanitary inspection of foodstuffs (食品衛生檢驗) in July 1995.

SULLIVAN Kenneth Marc

Executive Director; President and Chief Executive Officer of Smithfield

SULLIVAN Kenneth Marc, age 52, was appointed as an executive Director on January 22, 2016. He has served as president and chief executive officer of Smithfield (our indirect wholly owned subsidiary) since December 2015 and as a director of Smithfield since January 2016. He also holds directorships in various subsidiaries of the Group. He has served in various other positions with Smithfield since joining Smithfield in 2003, including vice president of internal audit from 2003 to 2007, vice president and chief accounting officer from 2007 to 2010, senior vice president of finance and chief accounting officer from 2012 to 2013, executive vice president and chief financial officer from October 2013 to October 2015 and President and chief operating officer from October 2015 to December 2015. Mr. Sullivan has expertise in corporate strategy and finance, capital markets, operations analysis and organizational leadership, and possesses in-depth knowledge of the Group's U.S. and international business segments. Prior to joining Smithfield, Mr. Sullivan spent 12 years at various large accounting and consulting firms.

Mr. Sullivan became a certified public accountant in the Commonwealth of Virginia, U.S. in April 1993. Mr. Sullivan obtained his bachelor of science degree from the School of Business of the Virginia Commonwealth University in August 1988.

YOU Mu (游牧)

Executive Director; President of Shuanghui Development

YOU Mu (游牧), age 48, was appointed as an executive Director on January 22, 2016. He has served in various positions within the Group. He has served as director and president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 2015. He also holds directorships in various subsidiaries of the Group. Previously, he served as vice president and general manager of the meat products division of Shuanghui Development from November 2014 to August 2015. He also served as the general manager of Shuanghui Group from July 2007 to November 2014 and has been appointed as a director of Shuanghui Group since January 2014. In addition, Mr. You served as the manager of the Hangzhou branch of Shuanghui Group Sales Company (雙匯集團銷售公司) from March 2002 to February 2003, the head of sales department of Shuanghui Group Sales Company from February 2003 to June 2004, the general manager from June 2004 to October 2004, the general manager of the meat products division from October 2004 to July 2007 and the director of Shuanghui Development from November 2007 to August 2012.

Mr. You graduated from Henan Business College majoring in planning and statistics in July 1991, and subsequently obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University (中國人民大學研究生院) in March 2005. Mr. You received his assistant accountant certificate conferred by the Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994 and business marketing economist certificate conferred by the Ministry of Personnel of PRC (中華人民共和國人事部) in November 2000.

HUANG Ming (黃明)

Independent Non-executive Director

HUANG Ming (黃明), age 52, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. Mr. Huang served as an assistant professor of finance at the Graduate School of Business, University of Chicago from April 1996 to June 1998; as an assistant professor of finance from July 1998 to August 2001 and as an associate professor from September 2001 to June 2005 at the Graduate School of Business, Stanford University; and as an associate dean and professor of finance from July 2004 to June 2005 and a professor of finance from July 2008 to June 2010 at the Cheung Kong Graduate School of Business (長江商學院). Mr. Huang was also appointed as the Dean of School of Finance of Shanghai University of Finance and Economics (上海財經大學) from April 2006 to April 2009. He has been a professor of finance with tenure at Cornell University since July 2005, and has been a chair professor of finance at China Europe International Business School (中歐國際工商學院) since July 2010.

Mr. Huang has served as an independent non-executive director of Yingli Green Energy Holding Company Limited (a company listed on New York Stock Exchange with stock code YGE) since August 2008, Fantasia Holdings Group Co., Ltd. (a company listed on the Stock Exchange with stock code 01777) since October 2009 and China Medical System Holdings Limited (a company listed on the Stock Exchange with stock code 00867) since October 2013. In addition, he has served as a non-executive director of Qihoo 360 Technology Co. Ltd. (a company listed on New York Stock Exchange with stock code QIHU) since March 2011, and Guosen Securities Co. Ltd. (國信證券股份有限公司) since June 2011 and has served as an independent director of JD.com, Inc. (a company listed on the US NASDAQ Stock Exchange with stock code NASDAQ: JD) since March 2014. Mr. Huang served as a non-executive director of Tebon Securities Co., Ltd. (德邦證券股份有限公司) from June 2011 to July 2014.

Mr. Huang obtained his bachelor's degree in physics from Peking University in July 1985, his doctor's degree in physics from Cornell University in July 1991 and his doctor's degree in finance from Stanford University in August 1996.

LEE Conway Kong Wai (李港衛)
Independent Non-executive Director

LEE Conway Kong Wai (李港衛), age 61, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. In addition, Mr. Lee has extensive experience as an independent non-executive director of listed companies and currently serves as an independent non-executive director in the following companies listed on the Main Board of the Stock Exchange: Chaowei Power Holdings Limited (with stock code 00951) since July, 2010, West China Cement Limited (with stock code 02233) since July 2010, China Modern Dairy Holdings Ltd. (with stock code 01117) since December, 2010, Gome Electrical Appliances Holding Limited (with stock code 00493) since March 2011, Tibet 5100 Water Resources Holdings Ltd. (with stock code 01115) since March 2011, CITIC Securities Company Limited (with stock code 06030) since November, 2011, NVC Lighting Holding Limited (with stock code 02222) since November 2012, Yashili International Holdings Ltd. (with stock code 01230) since November 2013. Formerly, Mr. Lee also served as a non-executive director and the deputy chairman of Merry Garden Holdings Limited (a company listed on the Stock Exchange with stock code 01237) from July 2014 to September 2015, an independent non-executive director of China Taiping Insurance Holdings Company Limited (a company listed on the Stock Exchange with stock code 00966) from October 2009 to August 2013, and of Sino Vanadium Inc. (a company listed on the Toronto Stock Exchange with stock code SVX) from October 2009 to December 2011. Mr. Lee had been a partner of Ernst & Young (HK) from September 1980 to September 2009.

Mr. Lee has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China since 2008. He received a bachelor's degree in arts from Kingston University (formerly known as Kingston Polytechnic) in London in July 1980 and subsequently obtained his postgraduate diploma in business from Curtin University of Technology in Australia in February 1988. He is a member of the Institute of Chartered Accountants in England and Wales, the Chartered Accountants, Australia and New Zealand (formerly known as the Institute of Chartered Accountants in Australia), the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants.

LAU, Jin Tin Don (劉展天)
Independent Non-executive Director

LAU, Jin Tin Don (劉展天), age 59, was appointed as one of our independent non-executive Directors on July 16, 2014 with effect from the Listing Date. Mr. Lau is currently a managing director and one of the responsible officers of Spring Asset Management Limited, a company incorporated in Hong Kong for the sole purpose of managing Spring Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Stock Exchange with stock code 01426). Prior to joining Spring Asset Management Limited in 2013, he was the deputy group financial controller of Yuexiu Property Company Limited (a company listed on the Stock Exchange with stock code 00123). From 2005 to 2010, he was also the deputy chief executive officer, compliance manager and one of the responsible officers of Yuexiu REIT Asset Management Limited which is responsible for managing the assets of Yuexiu Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Stock Exchange with stock code of 00405).

Mr. Lau obtained a master's degree in applied finance from Macquarie University. He is also a responsible officer licensed under the SFO to carry on type 9 regulated activities.

Senior Management

Our senior management is responsible for the day-to-day management of our business.

WAN Hongjian (萬洪建)

WAN Hongjian (萬洪建), age 48, has served as a vice president of the Company since April 2016. He is responsible for the international trading business of the Group. Previously, Mr. Wan served as a cooked food workshop worker at Henan Luohe Meat Products Processing United Factory (河南省漯河市肉類聯合加工廠) from October 1990 to December 1991, as a sales officer in the Beijing sales office of Shuanghui Group from January 1992 to October 1993, as a deputy director of the foreign trading department of Shuanghui Group from November 1993 to September 2010, as deputy general manager of Rotary Vortex in charge of international trading business from February 2012 to October 2013 and as a director of international trading department of the Company from November 2015 to March 2016. Mr. Wan graduated from Henan Radio and Television University (河南廣播電視大學) with an associate degree in commercial business management in July 1990. He is the son of Mr. Wan Long.

QIAO Haili (喬海莉)

QIAO Haili (喬海莉), age 52, has served in various positions within the Group. She has been the vice president of the production and operations division of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since November 2014, responsible for the production and operations work stream of Shuanghui Development. She also holds directorships in various subsidiaries of the Group. Ms. Qiao has served as the vice president and general manager of Shuanghui Development's meat processing division from September 2012 to October 2014 and a deputy general manager of its meat product department from August 2009 to August 2012, where she has been primarily responsible for the general operation of meat products production. Ms. Qiao served as a deputy director of the hygiene inspection department and as a workshop manager of Shuanghui Group from August 1986 to September 1995. Ms. Qiao also served as a director of the hygiene inspection department and the third business division of Shuanghui Group from September 1995 to February 1998. In addition, Ms. Qiao served as the general manager in Luohe Shuanghui Canned Foods Company Limited (漯河雙匯罐頭食品股份有限公司) from February 1998 to October 2004; as a director in Shuanghui Development from November 2001 to October 2004; and as the general manager in Shuanghui Development Meat Processing Division Factory (雙匯發展肉製品分廠) from November 2004 to August 2009.

Ms. Qiao obtained her associate veterinarian degree from the Zhengzhou Junior College of Animal Husbandry and Veterinary Medicine (鄭州畜牧獸醫專科學校) in July 1986. She also obtained the completion certificate for the master of business administration program from the Graduate School of Renmin University (中國人民大學研究生院) in March 2005. Ms. Qiao received her qualified veterinarian certificate issued by the People's Government of Luohe City in December 1998.

MA Xiangjie (馬相傑)

MA Xiangjie (馬相傑), age 44, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) and as the general manager of its fresh food division since August 2012. He also holds directorships in various subsidiaries of the Group. Mr. Ma has over 19 years of work experience with the Group. Mr. Ma was the deputy director of the fresh meat products department of Shuanghui Development from September 2008 to August 2010. He also served as the general manager of the integrated business department of Shuanghui Group from September 2010 to April 2012.

In addition, he has worked as the director of Shuanghui Development Ingredients Factory (雙匯發展香輔料分廠) since May 2001; as general manager of Luohe Shineway Haiying Seasoning Food Co., Ltd. (漯河雙匯海櫻調味料食品有限公司) since August 2003; as general manager of Luohe Tianrui Biochemicals Co., Ltd. (漯河天瑞生化有限公司) since April 2004; as a managing director of Luohe Shuanghui Food Sales Co., Ltd. (漯河雙匯食品銷售有限公司) since October 23 2012; as a director of Fuxin Shuanghui Meat Processing Co., Ltd. (阜新雙匯肉類加工有限公司) since February 22, 2013; as a director of Heilongjiang Baoquanling Shuanghui Beidahuang Food Co., Ltd. (黑龍江寶泉嶺雙匯北大荒食品有限公司) since February 22, 2013 and as a director of Shaanxi Shuanghui Food Co., Ltd. (陝西雙匯食品有限公司) since November 5, 2013.

He graduated from the faculty of processing and storage of agricultural products from the Henan Agricultural University (河南農業大學) in July 1996, obtained the completion certificate for the master of business administration program of the Graduate School of Renmin University (中國人民大學研究生院) in March 2005 and received his master's degree in food engineering from the Northwest A&F University (西北農林科技大學) in June 2010. In addition, Mr. Ma obtained his qualification as an engineer of light industries issued by the People's Government of Henan Province in December 2002.

WANG Yufen (王玉芬)

WANG Yufen (王玉芬), age 48, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary), being in charge of technology research, since September 2012, and as the chief engineer of Shuanghui Development for over 15 years since March 1998. She also holds directorships in various subsidiaries of the Group. Ms. Wang has worked with the Group for over 25 years. Ms. Wang served in Henan Luohe Meat Products Processing United Factory Meat Product Branch (河南省漯河肉聯廠肉製品分廠) from October 1987 to August 1991 as a technician, from August 1991 to September 1992 as a director, and from September 1992 to March 1993 as the deputy head. She was the institute director of Henan Luohe Meat Products Processing United Factory Food Institute (河南省漯河肉聯廠食品研究所) from March 1993 to March 1998. Ms. Wang was a director of the technology center of Shuanghui Group from March 1998 to November 2001.

Ms. Wang completed her correspondence studies in food engineering in Zhengzhou University of Light Industry (鄭州輕工業學院) in June 1997 and obtained her senior engineer of food research certificate issued by the People's Government of Henan Province in May 2002.

LIU Songtao (劉松濤)

LIU Songtao (劉松濤), age 39, has served as the vice president of Shuanghui Development (a company listed on the Shenzhen Stock Exchange with stock code 000895 and our subsidiary) since August 2012 and is in charge of finance. He also holds directorships in various subsidiaries of the Group. Previously, Mr. Liu served as a director of the finance department of Shuanghui Group from May 2003 to August 2012, as a director of the finance department of Shuanghui Development Luohe Slaughter Factory (雙匯發展漯河屠宰分廠) from March 2003 to May 2003, and as a director of the finance department of Luohe Huayi Food Co., Ltd. (漯河華意食品有限 公司) from March 2002 to March 2003. In addition, Mr. Liu currently serves as the director and/or chairman of the board in various subsidiaries of the Company. Mr. Liu was awarded the bachelor's degree of chrematistics by Henan University (河南大學) in July 2000.

THAMODARAN Dhamu R.

THAMODARAN Dhamu R., age 60, joined Smithfield in August 1995, and has served as Smithfield's executive vice president and chief commodity hedging officer since July 2011. Since February 2016, he has held an additional title of chief strategy officer of Smithfield. He also holds directorships in various subsidiaries of the Group. He is responsible for hedging and mitigating commodity volatilities in the business, and heads the group for research and analysis in global economy and commodities of Smithfield. In addition, he is responsible for developing strategies to optimize Smithfield's vertically integrated model. Dr. Thamodaran joined John Morrell & Co. in August 1990 as director of price risk management. He joined Smithfield as director of price risk management in August 1995, and was promoted to vice president of price risk management in May 1996 and to senior vice president and chief commodity hedging officer in June 2008. Prior to joining John Morrell & Co., he worked for five years at Farmland Industries.

Dr. Thamodaran obtained his bachelor of science degree in agriculture from the Tamil Nadu Agricultural University in India in 1978, his master of science degree in agricultural economics from the Indian Agricultural Research Institute in India in 1980, and his Ph.D in economics from Iowa State University in U.S. in 1983.

NOWAKOWSKI Dariusz

NOWAKOWSKI Dariusz, age 62, serves as the president of Smithfield's Europe division and is responsible for all of Smithfield's wholly owned investments in Europe, which comprise the majority of the International Division. He also holds directorships in various subsidiaries of the Group. Mr. Nowakowski has been a president of Animex Sp. z o.o., our wholly owned subsidiary, since June 2006. He worked in Canada and U.S. for 25 years and prior to joining Smithfield group in 2006 he worked for major Canadian and U.S. food corporations, including ConAgra Foods and Maple Leaf Foods. Mr. Nowakowski received his master's of science degree in animal sciences from Krakow University of Agriculture in 1980 and his master's of science degree in food science from the University of Saskatchewan, Canada in 1986.

NUNZIATA Glenn

NUNZIATA Glenn, age 42, has served as Smithfield's chief financial officer since October 2015. As chief financial officer, Mr. Nunziata leads Smithfield's finance, accounting treasury, risk management, human resources and IT functions and serves as Smithfield's principal accounting officer. Prior to joining Smithfield, Mr. Nunziata served as a partner in assurance services at the multinational professional services firm of Ernst & Young LLP, having been with Ernst & Young for 19 years. He has extensive experience in finance, capital markets and operations analysis as well as in matters pertaining to internal controls and corporate governance.

Mr. Nunziata has been a certified public accountant in the State of New York, U.S., since March, 2000 and in the Commonwealth of Virginia, U.S., since June, 2005. He obtained his bachelor of science degree in business administration from James Madison University in May 1995 and his master of science degree in accounting from James Madison University in May 1996.

CHAU Ho (周豪)

CHAU Ho (周豪), age 50, has served as our chief legal officer and as the company secretary since February 2014. He also holds directorships in various subsidiaries of the Group. Mr. Chau was an assistant to the chairman in China Rongsheng Heavy Industries Group Holdings Limited (now renamed China Huarong Energy Company Limited, listed on the Stock Exchange with stock code 01101) from April 2011 to January 2014 and as assistant to the chairman in Glorious Property Holdings Limited (listed on the Stock Exchange with stock code 00845) from March 2010 to March 2011. Mr. Chau has over 20 years of legal experience. He was an associate and subsequently a partner at the law firm Koo and Partners, which merged with the law firm Paul Hastings Janofsky & Walker (now renamed Paul Hastings), from October 1994 to February 2010. Mr. Chau received his bachelor of laws degree in November 1991 and the postgraduate certificate in laws in November 1992 from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong). In January 2003, he obtained his bachelor of laws degree from Tsinghua University. Mr. Chau has been qualified to practice as a solicitor in Hong Kong since August 1994 and has been a China-Appointed Attesting Officer since April 2006. He has also been qualified to practice as a solicitor in England and Wales since September 2008.

BUSINESS REVIEW

Industry Overview

China

China is the largest pork consumption market in the world and is expected to grow further. The growth of the pork industry in China is largely dependent on the pace of its economic growth, urbanization, the improvement of people's living standard and upgrade in consumption pattern. According to the National Bureau of Statistics of China, the total production of pork in 2015 was 54.87 million tons, a decrease of 3.3% compared to 2014.

Since 2014, the hog production industry had become loss-making and some hog farmers had exited. Consequently, the numbers of sow and level of hog inventory had continued to decline, market hog supply had started to decrease. In the first quarter of 2015, given the market demand was soft after Chinese New Year, hog prices remained relatively low. Nevertheless, as supply kept shrinking, hog prices bottomed out by the end of March and reached its peak in the third quarter. On the other hand, commodity prices started to fall in the latter half of 2015, profitability level of hog production business was uplifted. Hog prices fluctuated at relatively high level in the fourth quarter and hog farmers were incentived to rebuild the inventory.

Generally speaking, pork prices in China trended upwards in 2015. The average hog price in China for 2015 was RMB15.2 per kg (approximately US$2.42/kg), an increase of 16.5% from 2014. The high hog prices in China suppressed the overall consumption of fresh pork. Demand for import of pork from foreign counties increased.

U.S.

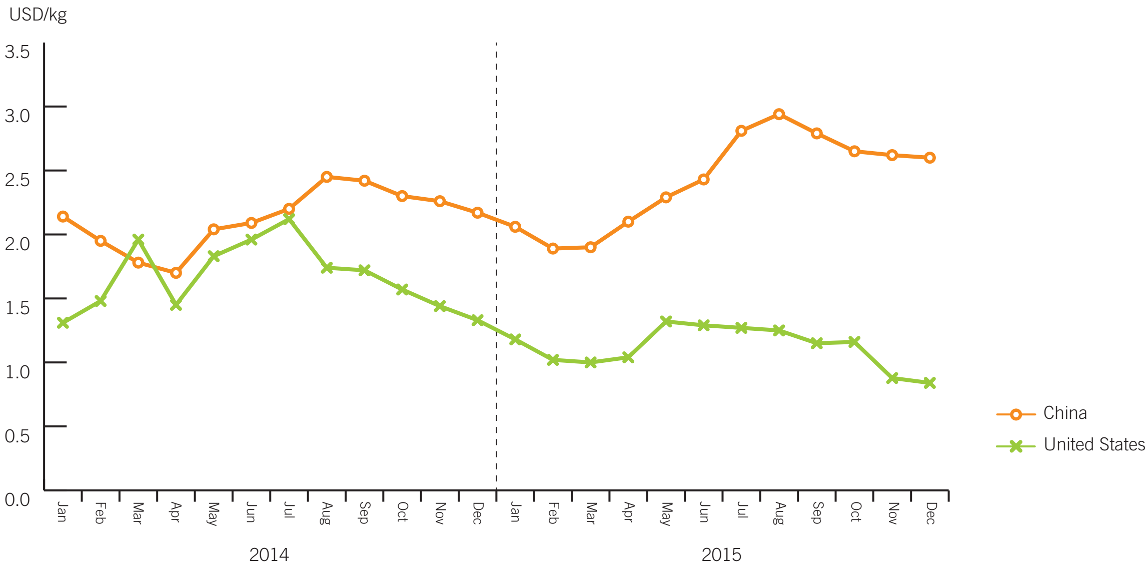
U.S. is the second largest producer of pork worldwide and the largest pork exporter globally. In contrast to the pork industry in China, the pork industry in U.S. is relatively mature and concentrated.

In 2014, affected by PEDv, hog supply decreased and hog prices escalated. In 2015, the spreading of PEDv was contained, thus resulting in a rebound of hog supply. Further supported by the low and stable feed costs, the supply of hogs in U.S. exceeded the pre-PEDv outbreak level. According to the statistics of the USDA, market hog inventory on December 1, 2015 was 62.3 million heads. This is the highest inventory since estimates began in 1988 by the USDA. The abundant supply drove the value of hogs down. The average hog price in U.S. for 2015 was US$1.12 per kg, a decrease of 32.5% from 2014.

Notwithstanding that high supply and low prices of hogs are positive factors for export of pork from U.S., the strong U.S. dollar weakened the competitive advantages of international trade of U.S. pork. On a positive note, considering the wide price gap between U.S. and China as well as the relatively mild depreciation of RMB against U.S. dollar, export of pork into China increased in 2015. Hog farmers and slaughtering houses with ractopamine-free production capacity and access to the China market benefited.

In general, many hog farmers in U.S. were around breakeven or suffered losses in 2015 given the low hog prices. Downstream packaged meat producers however enjoyed a better margin as raw material costs were lowered.

Average hog prices in 2014 and 2015



Source:
USDA and internal data

To conclude, 2015 was a challenging year in both China and U.S.. Relying on the expertise of our seasoned and experienced management team, the Group has been able to effectively manage the changes in the ever-evolving market to maximize value for its stakeholders.

Results of Operations

Our business primarily consists of three operating segments, namely packaged meat products, fresh pork and hog production.

	2015 US$ million	2014[3] US$ million	Change %
Turnover[1]			
– Packaged meats	11,240	11,880	(5.4)
– Fresh pork	8,591	9,364	(8.3)
– Hog production	990	587	68.7
– Others[2]	388	412	(5.8)
Total	21,209	22,243	(4.6)
Operating Profit			
– Packaged meats	1,499	1,178	27.2
– Fresh pork	226	223	1.3
– Hog production	54	412	(86.9)
– Others[2]	(222)	(199)	N/A
Total	1,557	1,614	(3.5)
Profit before taxation	1,302	1,420	(8.3)
Profit for the year	995	972	2.4

Notes:

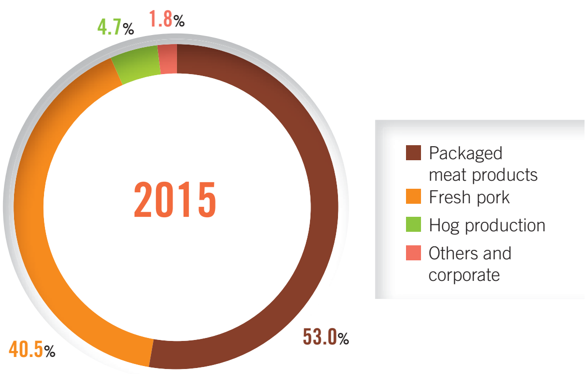
(1) Turnover refers to net external sales.

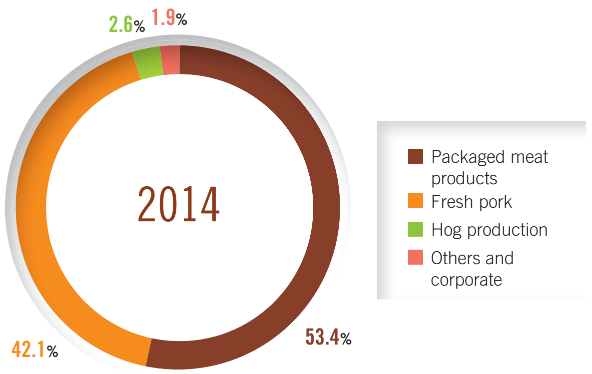
(2) Others primarily includes slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics services, sales of flavoring ingredients and internally-produced packaging materials, as well as some retail and biopharmaceutical businesses. Corporate expenses incurred by the Group are also included.

(3) Certain amounts of segment turnover and Operating Profit in 2014 were reclassified amongst different segments to conform with the presentation of the Group's internal management reporting. We believe such reclassification will provide a more meaningful review of the performance of each segment.

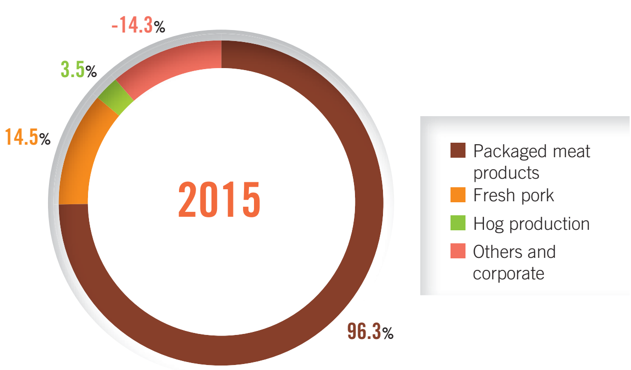
The packaged meat products segment has always been our core business. It accounted for 53.0% of the Group's total turnover in 2015 (2014: 53.4%). Its contribution to the Group's Operating Profit was even higher at 96.3% in 2015 (2014: 73.0%).

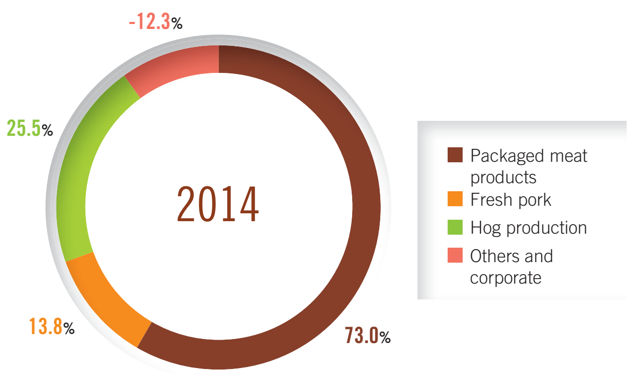
Turnover by Operating Segment





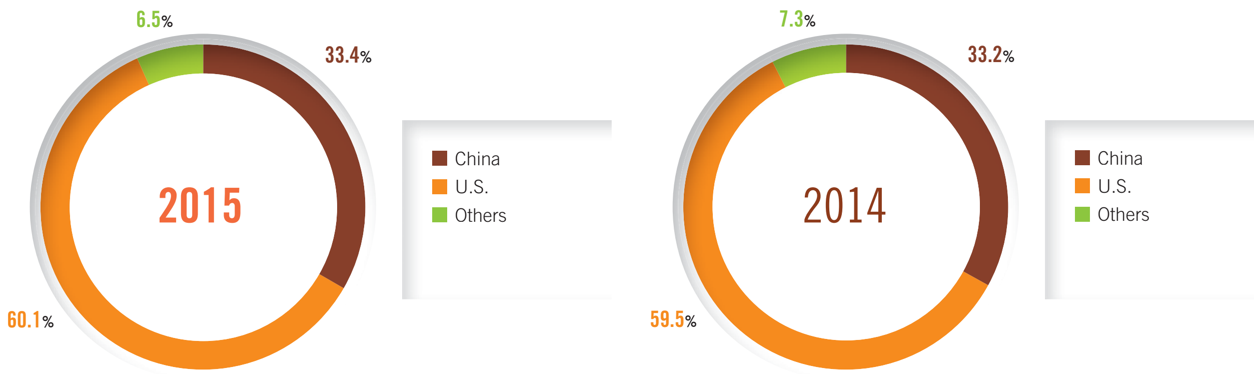
Operating Profit by Operating Segment



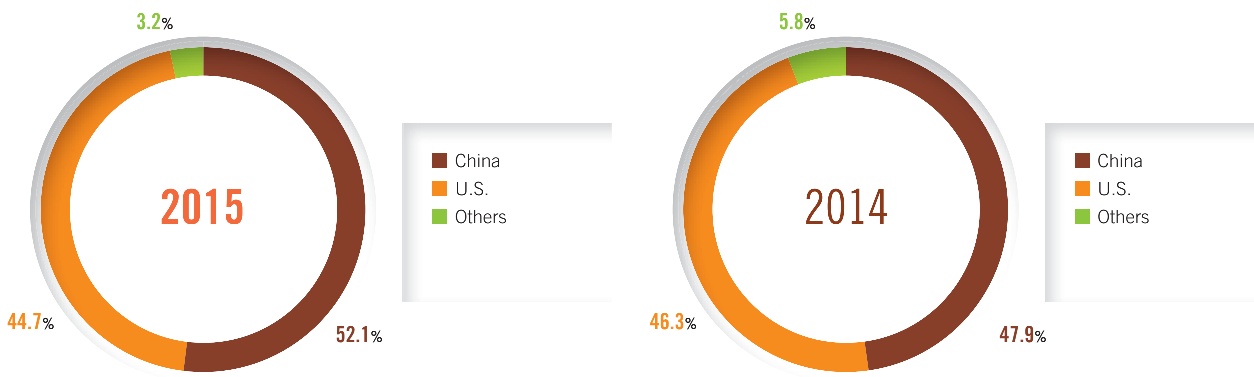


Geographically speaking, our operation in China contributed 33.4% and 52.1% of the total turnover and Operating Profit of the Group in 2015, respectively (2014: 33.2% and 47.9%). Contribution of our operation in U.S. to the total turnover and Operating Profit of the Group in 2015 were 60.1% and 44.7%, respectively (2014: 59.5% and 46.3%).

Turnover by Location



Operating Profit by Location



Packaged Meat Products

	2015	2014	Change %
Sales volume (thousand metric tons)			
China	1,583	1,727	(8.3)
U.S.	1,382	1,290	7.1
Others	218	210	3.8
Total	3,183	3,227	(1.4)
Turnover (US$ million)			
China	3,559	4,043	(12.0)
U.S.	7,088	7,173	(1.2)
Others	593	664	(10.7)
Total	11,240	11,880	(5.4)
Operating Profit (US$ million)			
China	782	695	12.5
U.S.	668	450	48.4
Others	49	33	48.5
Total	1,499	1,178	27.2

In 2015, even though our sales volume of packaged meat products decreased by 1.4% and turnover declined by 5.4% as compared to 2014, our Operating Profit increased significantly by 27.2%.

Decrease in the sales volume of our packaged meat products was due to the drop of 8.3% in our sales volume in China as a result of the slowdown in macro-economic growth and evolvement of consumption pattern. To this end, we have been developing more new products and accelerating the modification of our product portfolio. In U.S., we are devoted to transforming ourselves from a commodity supplier to a branded packaged meat products company. During the year, we strengthened our marketing efforts to expand market share and solidify our leadership in many key products. Sales volume in U.S. thus increased by 7.1% from 2014. According to Information Resources, Inc., Smithfield branded packaged meat products ranked the second fastest growing in the retail channel amongst the top 25 food companies in U.S.

The main reasons for the decrease in turnover were firstly, the reduction of sales volume in China. Secondly, despite the growth of sales volume in U.S., the lower hog price cut back the average selling price of packaged meat products.

Nevertheless, the level of increase of the Operating Profit of our packaged meat products in 2015 was considerable. This is because, in China, despite the negative impact of relatively high hog price on the costs of raw materials, we benefited from the lower commodity prices, the expanded import of pork from U.S., the strategic management of inventory as well as the efficiency improvement resulting from process reengineering. These factors contributed to the per unit profit of our China's packaged meat products reaching its record high. In U.S., our sales volume went up due to our intense marketing efforts, our raw materials cost reduced as a result of relatively low hog price, and our efficiency was enhanced through the implementation of the "One Smithfield" initiative. Hence, Operating Profit of our packaged meat products in U.S. increased by 48.4% from 2014.

New Plant in Zhengzhou, China

"The plant was constructed as a collaborative effort between Shuanghui and Smithfield using U.S. construction, food and worker safety standards, and state-of-the-art processing technology. The new plant will process Smithfield pork to make U.S. style bacon, ham and sausage products, while maintaining the highest food safety standards. This ensures the Chinese consumer delicious products they can be proud to serve to their families."

– Henry Morris, Senior Vice President of Operations and Engineering

"Smithfield brought the authentic bacon, ham and sausages to China all the way from the west. This is an epoch-making milestone that demonstrates the integration of the Chinese and American food Culture. We believe that these American products will put down roots and grow well in China. Chinese people would be able to enjoy world-class gourmet and high quality of life at home."

– Liu Hong Sheng, General Manager, Packaged Meat Division, Shuanghui Development

Fresh Pork

	2015	2014	Change %
Hog processed (thousand heads)			
China	12,390	15,010	(17.5)
U.S.	31,307	27,890	12.3
Others	4,638	4,270	8.6
Total	48,335	47,170	2.5
External sales volume (thousand metric tons)			
China	1,172	1,201	(2.4)
U.S.	2,330	2,239	4.1
Others	368	324	13.6
Total	3,870	3,764	2.8
Turnover (US$ million)			
China	3,344	3,168	5.6
U.S.	4,717	5,540	(14.9)
Others	530	656	(19.2)
Total	8,591	9,364	(8.3)
Operating Profit (US$ million)			
China	80	147	(45.6)
U.S.	168	90	86.7
Others	(22)	(14)	N/A
Total	226	223	1.3

In 2015, our slaughtering volume rose by 2.5%. External sales volume of fresh pork also increased by 2.8%. But our turnover was lowered by 8.3% while Operating Profit was about the level of 2014.

The performance of fresh pork is closely correlated to the hog price of its respective markets. We will therefore adjust our operating strategy from time to time to align with the changing demand and supply conditions. The volume of slaughtering and external sales of fresh pork in China decreased in 2015. The primary reason was the weakening of demand caused by the macro-economic situation and the relatively high hog price. In contrast, the volumes of slaughtering and external sales of fresh pork increased in U.S. as the nationwide hog supply stepped up after the containment of PEDv.

Our turnover of fresh pork in 2015 was lower than that of 2014. Apart from volume, our turnover is also sensitive to the hog price. The hog prices in China and U.S. diverged in 2015. Hog price in China was relatively high due to the low supply while hog price in U.S. was relatively low due to the post-PEDv supply surge.

Under such a complicated operating environment, our Operating Profit remained stable as compared to 2014. Operating Profit in China declined as business was more difficult when market demand was weak. Increase in Operating Profit in U.S. compensated the decline in China. The improvement of profitability in U.S. was primarily due to the enhancement of operation efficiency and expansion of export business. As a result, we managed to achieve a decrease in meat price of a lesser degree than the decrease in hog price.

"One Smithfield"

"Working as a unified organization allows us to maximize efficiencies in every aspect of our company, giving us a tremendous boost in our evolution to a consumer packaged goods company."

John Pauley, Executive Vice President of Retail Sales, Packaged Meats Division

"Our market share is up. Our margins are up. Our distribution is up. And I don't think there's any question that the recent great performance of packaged meats is due to coming together as 'One Smithfield', all working toward a common goal of being a leading consumer packaged goods company."

Chuck Gitkin, Vice President of Marketing & R&D, Packaged Meats Division

"Customers and consumers continue to ask for more sustainable practices and transparency in products. The consolidated structure that exists following the 'One Smithfield' initiative allows us to further take advantage of our vertically integrated structure and give customers what they are looking for."

Collette Kaster, SVP, Quality Technical Service & Procurement, QA and Hog Procurement

"My team has aggressive targets to hit moving forward, but working smarter under 'One Smithfield' should make those goals a reality."

Jerry Lamb, Vice President & General Manager of Foodservice Sales

"From what I've seen so far, I really think 'One Smithfield' is going to make us more competitive than ever. We're off to a good start, and I think there's every reason to believe our success will continue."

Roy Johnson, Senior Brand Manager

"Even though it's just getting started. 'One Smithfield' is already making us feel like we're a vital part of the company's success."

Kraig Westerbeek, Vice President, Environment and Support Services, Hog Production Division

Hog Production

	2015	2014	Change %
Production volume (thousand heads)			
China	321	311	3.2
U.S.	15,958	14,724	8.4
Others	2,798	2,650	5.6
Total	19,077	17,685	7.9
Turnover (US$ million)			
China	9	7	28.6
U.S.	940	522	80.1
Others	41	58	(29.3)
Total	990	587	68.7
Operating Profit (US$ million)			
China	18	4	350.0
U.S.	12	337	(96.4)
Others	24	71	(66.2)
Total	54	412	(86.9)

We are the largest hog producer in the world. In 2015, the number of hogs produced by us increased by 7.9%, turnover increased by 68.7%. Nevertheless, our Operating Profit fell notably by 86.9%.

The vast majority of our hog production business is in U.S.. The number of hogs produced in U.S. increased in 2015 after the removal of the negative impact of PEDv. The hog production volume of our farms as well as across the nation attained single digit growth. Benefited from the gain of the lean hog contracts, turnover of our U.S. business also increased. However, due to the oversupply after the PEDv, the average hog price in U.S. declined by 32.5% year on year. Regardless of our effective hedging programs, which enabled us to outperform the market in general, profitability of hog production became significantly lower in 2015.

Others

In addition to packaged meat products, fresh pork and hog production, the Group also engages in certain other businesses, which are mainly slaughtering and sales of poultry, manufacturing and sales of packaging materials, provision of logistics services, operating a chain of retail grocery stores, producing flavoring ingredients and natural casings, and sales of biological pharmaceutical materials. In 2015, turnover generated from our other businesses amounted to US$388 million, a 5.8% decrease as compared to 2014.

These other businesses are ancillary to our three primary operating segments. For instance, our logistics business in China currently owns 17 logistics centers across 14 provinces covering the majority part of the nation. We are capable of same day delivery to all areas other than Tibet and Xinjiang so that our packaged meat products and fresh pork can be delivered to our customers timely and safely.

Corporate Social Responsibility

The Group is proud to be an engaged and active member of the communities in which we operate and which we help feed. We believe that it is our responsibility to give back to individuals and communities that have supported us over the years and contributed to our success to date. We strive to participate in areas that include animal care, community service, employee safety, environmental protection, food safety and quality.

Environment

As a leading company in the pork industry, we believe that protecting the environment is critical to our business development. Hog production and hog processing operations can impact the environment. Hence, in order to reduce these impacts of our operations, we have adopted protective measures in the areas of water protection and conservation, animal waste and greenhouse gas, to augment and improve the environmental management systems in our China, U.S. and international operations. We collect animal waste from our hog production operations to be effectively reused as organic fertilizer. In March 2015, several of Smithfield's U.S. facilities received a total of 49 awards from the North American Meat Institute (NAMI) for their environment achievements. In a new report of a business sustainability organization, Ceres, issued in May 2015, Smithfield ranked No. 1 in water management amongst the leading meat companies.

Animal Care

Our animal care management program, which provides care to our animals at every stage of their lives, promotes their safety and overall well-being. In U.S., we have been gradually phasing out individual gestation stalls at company-owned sow farms and have been replacing the gestation stalls with group pens.

Food Safety

Both our China and U.S. businesses have established a strict food safety internal control system, formulate and implement a set of internal control standards covering the food safety issues related to our research and development, procurement, production, storage, transportation, and sales and distribution activities.

Helping Communities

We have been an engaged and active member of the communities where we operate. In China, we made donations over the past decade with the aim of providing underprivileged youth with higher education and enabling them to pursue their dreams. In U.S., through the long-term "Helping Hungry Homes" campaign, we donate food to families in need in the country each year.

Employees

We work hard to create a safe, fair, ethical, and rewarding work environment. We offer jobs to our farm and processing facility employees with competitive wages and comprehensive benefits packages, and encourage our employees to learn and grow within the Group. We also place high priority on promoting employees internally and supporting employee education opportunities, including internal training, scholarships, and tuition reimbursements that can help our employees advance their careers.

Value Creation

We fully respect and safeguard the legitimate interests of suppliers and customers, and offer consumers safe products and quality services through constant improvements, protecting their legitimate interests.

The Food Safety and the Environment, Society and Governance Committees under the Board are in place to strengthen our uniformed management of and control over our food safety and better fulfill our social responsibility.

PROSPECTS

The Group achieved solid performance notwithstanding the unfavorable operating environment in 2015. Looking ahead, although the economic growth globally is expected to slow down and short term volatility of commodity prices is hard to eliminate, we are in a staple food business and will continue to grow. We will adhere to our corporate strategies to achieve operational excellence in existing operations and to integrate our resources to expand our global platform. As one of the world's largest protein companies, we are committed to providing consumers with safe and delightful products of high quality. We will also devote every effort to further strengthen our leading position in the industry.

FINANCIAL REVIEW

Overall Results

Turnover of the Group was US$21,209 million in 2015, a year-on-year decrease of 4.6%. Operating Profit decreased by 3.5% to US$1,557 million in 2015. The Group's reported profit for the year increased by 2.4% from US$972 million in 2014 to US$995 million. Profit for the year attributable to owners of the Company was US$786 million in 2015, up 2.6% from US$766 million in 2014.

In 2014, we incurred listing expenses of US$31 million and finance costs, in respect of the refinancing and partial repayment of a syndicated term loan relating to the acquisition of Smithfield, of US$124 million. Excluding such listing expenses and finance costs, the Group's underlying profit for the year ("**Underlying Profit**") in 2014 was US$1,127 million. As a comparison to the Underlying Profit in 2014, profit for the year in 2015 of US$995 million went down by 11.7%.

Disregarding the biological fair value adjustments in both years, (1) profit for the year in 2015 was US$1,075 million, a decrease of 2.1% from the Underlying Profit in 2014 of US$1,098 million; (2) profit attributable to owners of the Company in 2015 was US$866 million, a decrease of 2.9% from the Underlying Profit attributable to owners of the Company in 2014.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2015			2014		
	Results before biological fair value adjustments US$million	Biological fair value adjustments US$million	Total US$million	Results before biological fair value adjustments US$million	Biological fair value adjustments US$million	Total US$million
Turnover	21,209	–	21,209	22,243	–	22,243
Cost of sales	(17,065)	(64)	(17,129)	(18,146)	(682)	(18,828)
Gross profit	4,144	(64)	4,080	4,097	(682)	3,415
Distribution and selling expenses	(1,783)	–	(1,783)	(1,662)	–	(1,662)
Administrative expenses	(740)	–	(740)	(758)	–	(758)
(Loss) gain arising from agricultural produce at fair value less costs to sell at the point of harvest	–	(28)	(28)	–	635	635
(Loss) gain arising from changes in fair value less costs to sell of biological assets	–	(35)	(35)	–	92	92
Other income	96	–	96	102	–	102
Other gain and losses	1	–	1	14	–	14
Other expenses	(84)	–	(84)	(110)	–	(110)
Finance costs	(219)	–	(219)	(371)	–	(371)
Share of (losses) profits of associates	(1)	–	(1)	18	–	18
Share of profits of joint ventures	15	–	15	45	–	45
Profit before taxation	1,429	(127)	1,302	1,375	45	1,420
Taxation	(354)	47	(307)	(432)	(16)	(448)
Profit for the year	1,075	(80)	995	943	29	972
Other comprehensive expense for the year:						
Items that will not be reclassified subsequently to profit or loss:						
– remeasurement on defined benefit pension plans			(12)			(118)

	2015			2014		
	Results before biological fair value adjustments US$million	**Biological fair value adjustments US$million**	**Total US$million**	Results before biological fair value adjustments US$million	Biological fair value adjustments US$million	Total US$million
Items that may be reclassified subsequently to profit or loss:						
– exchange differences arising on translation of foreign operations			**(245)**			(231)
– fair value change in cash flow hedge			**(47)**			29
– reclassification adjustment on translation reserve released on disposal of interest in an associate			**36**			–
			(256)			(202)
Other comprehensive expense for the year, net of tax			**(268)**			(320)
Total comprehensive income for the year			**727**			652
Profit for the year attributable to:						
– owners of the Company			**786**			766
– non-controlling interests			**209**			206
			995			972
Total comprehensive income for the year attributable to:						
– owners of the Company			**558**			470
– non-controlling interests			**169**			182
			727			652
Earnings per share						
– Basic (US$ cents)			**5.75**			6.44
– Diluted (US$ cents)			**5.50**			6.11

Consolidated Statement of Financial Position

	2015 US$million	2014 US$million
Non-current assets		
Property, plant and equipment	4,674	4,582
Prepaid lease payments	215	228
Biological assets	200	220
Goodwill	1,801	1,815
Intangible assets	1,715	1,746
Interests in associates	63	392
Interests in joint ventures	122	147
Other receivables	45	40
Pledged bank deposits	9	9
Deferred tax assets	146	88
Other non-current assets	98	79
	9,088	9,346
Current assets		
Biological assets	865	1,014
Inventories	1,748	1,900
Trade and bills receivables	725	845
Prepayments, deposits and other receivables	231	263
Prepaid lease payments	5	5
Taxation recoverable	88	65
Available-for-sale investments	397	209
Derivatives financial assets	–	73
Pledged bank deposits	17	22
Bank balances and cash	1,137	978
	5,213	5,374
Current liabilities		
Trade and bills payables	812	850
Accrued expense and other payables	1,371	1,457
Taxation payable	44	44
Derivatives financial liabilities	26	52
Borrowings	594	699
Bank overdrafts	12	20
	2,859	3,122
Net current assets	2,354	2,252
Total assets less current liabilities	11,442	11,598

	2015 US$million	2014 US$million
Non-current liabilities		
Borrowings	3,308	3,951
Other payables	149	140
Obligations under finance leases	23	24
Deferred tax liabilities	810	838
Deferred revenue	9	6
Pension liability and other retirement benefits	440	589
	4,739	5,548
Net assets	6,703	6,050
Capital and reserves		
Share capital	1	1
Reserves	5,762	5,129
Equity attributable to owners of the Company	5,763	5,130
Non-controlling interests	940	920
Total equity	6,703	6,050

Consolidated Statement of Cash Flows

	2015 US$million	2014 US$million
Operating activities		
Profit before taxation	1,302	1,420
Adjustment for:		
Interest income	(12)	(18)
Finance costs	219	371
Share of losses (profits) of associates	1	(18)
Share of profits of joint ventures	(15)	(45)
Depreciation of property, plant and equipment	384	353
Loss on disposal of property, plant and equipment	10	5
Amortisation of intangible assets	7	6
Gain on disposal of an associate	(1)	–
Gain on maturity of available-for-sale investments	(28)	(24)
Release of prepaid lease payments	5	8
Write-down of inventories	16	3
Loss (gain) arising from changes in fair value less costs to sell of biological assets	35	(92)
Impairment loss on property, plant and equipment	4	2
Allowances on trade receivables	–+	4
Share-based payments	83	78
Operating cash flows before movements in working capital	2,010	2,053
Decrease in biological assets	114	161
Decrease (increase) in inventories	105	(141)
Decrease in trade, bills and other receivables	117	79
(Decrease) increase in trade, bills and other payables	(145)	128
Cash from operations	2,201	2,280
Taxation paid	(373)	(398)
Interest paid	(215)	(322)
Net cash from operating activities	1,613	1,560
Investing activities		
Interest received	7	11
Dividends received from associates	1	3
Dividends received from joint ventures	15	–
Purchase of property, plant and equipment	(735)	(699)
Proceeds from disposal of property, plant and equipment	9	11
Net proceeds from disposal of an associate	354	–
Prepaid lease payments made	(2)	(34)
Net cash outflow on acquisition of business	–	(11)
Purchase of available-for-sale investments	(2,542)	(2,304)
Proceeds from maturity of available-for-sale investments	2,376	2,266
Placement of pledged bank deposits	(33)	(30)
Withdrawal of pledged bank deposits	36	66
Net cash used in investing activities	(514)	(721)

+ Less Than US$1 million

	2015 US$million	2014 US$million
Financing activities		
Dividends paid to non-controlling interests	(162)	(191)
Proceeds from issue of shares, net of transaction costs	–	2,284
Proceeds from borrowings, net of transaction costs	2,347	2,689
Repayment of borrowings	(3,091)	(5,440)
Capital contribution by non-controlling interests	5	6
Net cash used in financing activities	(901)	(652)
Net increase in cash and cash equivalents	198	187
Effect of foreign exchange rate changes	(31)	(28)
Cash and cash equivalents at January 1	958	799
Cash and cash equivalents at December 31	1,125	958
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	1,137	978
Bank overdrafts	(12)	(20)
	1,125	958

Analysis of Results by Operating Segment

For the year ended December 31, 2015

	Packaged meats US$million	Fresh pork US$million	Hog production US$million	Others US$million	Total US$million
China					
Gross segment revenue	3,559	3,881	86	366	7,892
Less: Inter-segment and inter-location sales	–	(537)	(77)	(191)	(805)
Net external sales	3,559	3,344	9	175	7,087
Reportable segment profit (loss)	782	80	18	(69)	811
U.S.					
Gross segment revenue	7,089	7,037	3,069	–	17,195
Less: Inter-segment and inter-location sales	(1)	(2,320)	(2,129)	–	(4,450)
Net external sales	7,088	4,717	940	–	12,745
Reportable segment profit (loss)	668	168	12	(152)	696
Others					
Gross segment revenue	637	844	447	278	2,206
Less: Inter-segment and inter-location sales	(44)	(314)	(406)	(65)	(829)
Net external sales	593	530	41	213	1,377
Reportable segment profit (loss)	49	(22)	24	(1)	50
Total					
Gross segment revenue	11,285	11,762	3,602	644	27,293
Less: Inter-location sales	(45)	(315)	–	–	(360)
Segment revenue	11,240	11,447	3,602	644	26,933
Less: Inter-segment sales	–	(2,856)	(2,612)	(256)	(5,724)
Net external sales	11,240	8,591	990	388	21,209
Reportable segment profit (loss)	1,499	226	54	(222)	1,557
Net unallocated income					77
Biological fair value adjustments					(127)
Finance costs					(219)
Shares of losses of associates					(1)
Shares of profits of joint ventures					15
Profit before taxation					1,302

For the year ended December 31, 2014

	Packaged meats US$'million (restated)	Fresh pork US$'million (restated)	Hog production US$'million	Others US$'million (restated)	Total US$'million (restated)
China					
Gross segment revenue	4,043	3,760	72	346	8,221
Less: Inter-segment and inter-location sales	–	(592)	(65)	(169)	(826)
Net external sales	4,043	3,168	7	177	7,395
Reportable segment profit (loss)	695	147	4	(73)	773
U.S.					
Gross segment revenue	7,173	8,202	3,385	–	18,760
Less: Inter-segment and inter-location sales	–	(2,662)	(2,863)	–	(5,525)
Net external sales	7,173	5,540	522	–	13,235
Reportable segment profit (loss)	450	90	337	(129)	748
Others					
Gross segment revenue	705	1,042	561	307	2,615
Less: Inter-segment and inter-location sales	(41)	(386)	(503)	(72)	(1,002)
Net external sales	664	656	58	235	1,613
Reportable segment profit (loss)	33	(14)	71	3	93
Total					
Gross segment revenue	11,921	13,004	4,018	653	29,596
Less: Inter-location sales	(41)	(183)	–	–	(224)
Segment revenue	11,880	12,821	4,018	653	29,372
Less: Inter-segment sales	–	(3,457)	(3,431)	(241)	(7,129)
Net external sales	11,880	9,364	587	412	22,243
Reportable segment profit (loss)	1,178	223	412	(199)	1,614
Net unallocated income					69
Biological fair value adjustments					45
Finance costs					(371)
Shares of profits of associates					18
Shares of profits of joint ventures					45
Profit before taxation					1,420

Key Financial Performance Indicators

		2015	2014	Change
Turnover growth rate	%/pp	(4.6)	97.7	(102.3)
Operating Profit margin	%/pp	7.3	7.3	–
– Packaged meat products(1)	%/pp	13.3	9.9	3.4
– Fresh pork(1)	%/pp	2.0	1.7	0.3
– Hog production(1)	%/pp	1.5	10.3	(8.8)
Per unit Operating Profit				
– Packaged meat products(2)	US$ per metric tons/%	471.0	365.0	29.0
– Fresh pork(3)	US$ per head/%	4.7	4.7	–
– Hog production(4)	US$ per head/%	2.8	23.3	(88.0)
EBITDA margin(5)	%/pp	9.6	9.6	–
Underlying net margin(6)	%/pp	5.1	4.9	0.2
Current ratio	%/pp	182.3	172.1	10.2
Cash conversion cycle	days	34.8	34.2	0.6
Net debt to equity ratio	%/pp	41.4	61.0	(19.6)
Return on total assets(7)	%/pp	6.9	6.7	0.2
Return on equity(8)	%/pp	14.4	20.7	(6.3)

Notes:

(1) Operating Profit margin of each operating segment represents the Operating Profit over segment revenue, which is net of inter-location sales but inclusion of inter–segment sales.

(2) Per unit Operating Profit for packaged meat products represents the Operating Profit on each metric ton of packaged meat products sold.

(3) Per unit Operating Profit for fresh pork represents the Operating Profit on each hog processed.

(4) Per unit Operating Profit for hog production represents the Operating Profit on each hog produced.

(5) EBITDA margin represents EBITDA, before biological fair value adjustments, as a percentage of turnover.

(6) Underlying net margin represents Underlying Profit for the year, before biological fair value adjustments, over turnover.

(7) Return on total assets represents net profit divided by the average of the opening and closing balance of total assets.

(8) Return on equity represents net profit attributable to owners of the Company for the year divided by the average of the opening and closing balance of equity attributable to owners of the Company.

Analysis of Capital Resources

Liquidity

The Group continues to maintain a solid and healthy financial position. We had bank balances and cash of US$1,137 million as at December 31, 2015, which were held primarily in Renminbi, U.S. dollars, Polish Zloty and Romanian Lei.

We also had available-for-sale investments of US$397 million as at December 31, 2015 (2014: US$209 million). Our available-for-sale investments consist of financial products that we purchase as part of our treasury management strategy to obtain higher yields than we can otherwise receive on regular bank deposits. We will assess, among other things, the return and risks, purchase amount, type of financial product and counter party in each and every investment decision. The investments that we currently own are primarily principal-guaranteed financial and trust products issued by financial institutions in China of maturity less than 12 months. We invest in financial products primarily through Shuanghui Development.

Our current ratio (ratio of consolidated total current assets to consolidated total current liabilities) was 1.8:1 as at December 31, 2015 (2014: 1.7:1). As at December 31, 2015, we also had an aggregate amount of unutilised banking facilities of US$2,505 million (2014: US$2,003 million).

EBITDA and cash flows

We fund our operations principally from cash generated from our operations, bank loans and other debt instruments and equity financing from investors. Our cash requirements relate primarily to production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, capital expenditures, interest and dividend payments and any unexpected cash requirements.

In 2015, our EBITDA, before biological fair value adjustments, amounted to US$2,044 million (2014: US$2,113 million). Our net cash from operating activities remained strong at US$1,613 million (2014: US$1,560 million). Our net cash used in investment activities in 2015 amounted to US$514 million (2014: US$721 million), including US$735 million in relation to purchases of property, plant and equipment (2014: US$699 million). Our net cash used in financing activities in 2015 amounted to US$901 million (2014: US$652 million), reflecting primarily dividends paid in the amount of US$162 million (2014: US$191 million) to the minority shareholders of Shuanghui Development and its subsidiaries as well as the net repayment in borrowings of US$744 million (2014: US$2,751 million). The repayment of the substantial amount of borrowings demonstrates our commitment to manage the capital structure of the Group. To conclude, our net increase in cash was US$198 million in 2015, as compared to US$187 million in 2014.

Debt profile

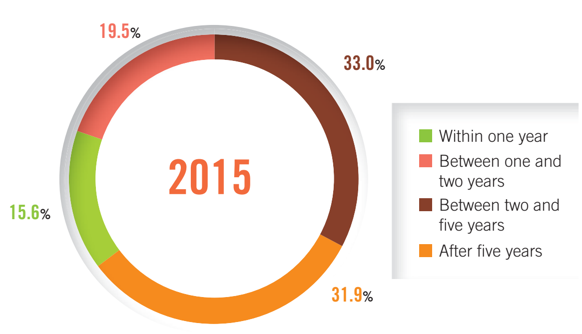
We had the following outstanding interest-bearing bank and other borrowings as of the dates indicated:

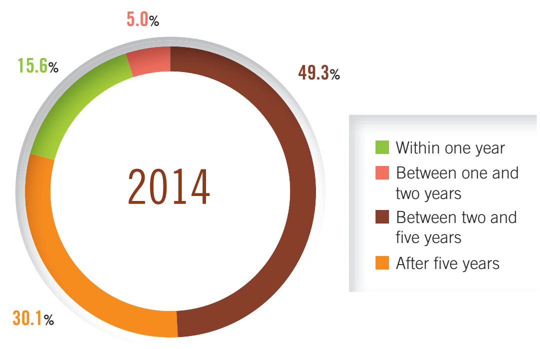
	As at December 31, 2015 US$ million	As at December 31, 2014 US$ million
Borrowings by nature		
Senior unsecured notes	2,142	2,418
Bank borrowings	1,603	2,227
Medium term notes	154	–
Loans from third parties	3	5
Bank overdrafts	12	20
Total	3,914	4,670
Borrowings by geographical region		
U.S.	2,225	2,652
Hong Kong	1,152	1,489
China	499	479
Others	38	50
Total	3,914	4,670

The Group's total principal amount of borrowings as at December 31, 2015 was US$3,896 million (December 31, 2014: US$4,639 million). The maturity profile of the Group's total principal amount of borrowings as at December 31, 2015 is analyzed as below:

	Total
In 2016	16%
In 2017	19%
In 2018	23%
In 2019	9%
In 2020	1%
In 2021	9%
In 2022	23%
Total	100%

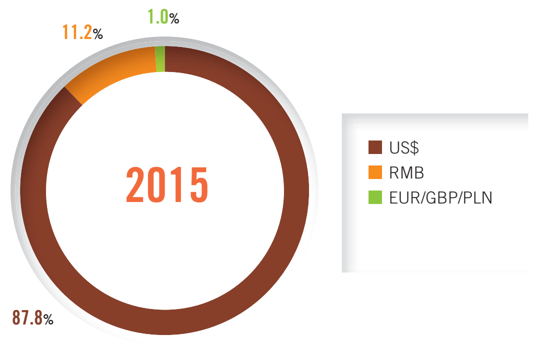
Borrowings by maturity

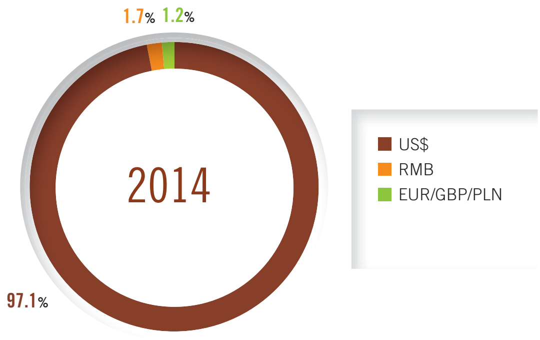




Our borrowings are principally denominated in currencies of the countries of the Group's business, or balanced by assets in the same currency. A majority of our borrowings is denominated in U.S. dollar. Nonetheless, in view of the rising volatility of foreign exchange rates, we increased our borrowings in domestic currency in China in 2015 by issuing RMB medium term notes.

Borrowings by currency



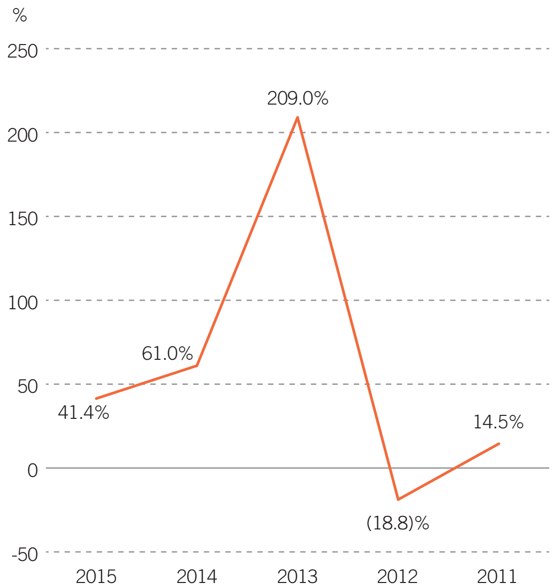


As at December 31, 2015, 98.5% of our borrowings were unsecured. Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contained affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group had no material default in repayment of bank borrowings, nor did it breach any relevant finance covenants for the year.

Leverage Ratios

The Group's leverage ratios were high primarily as a result of the acquisition of Smithfield. Since then, the ratios have been improving over time. Our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) decreased from 77.2% as at December 31, 2014 to 58.4% as at December 31, 2015. Our net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to consolidated total equity) decreased from 61.0% as at December 31, 2014 to 41.4% as at December 31, 2015. As at December 31, 2015, our net debt to EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to EBITDA, before biological fair value adjustments) was 1.4:1 (2014: 1.7:1).

Net debt to equity (%) from 2011 to 2015



Finance Costs

Finance costs of the Group in 2015 was $219 million. In January 2015, we commenced a cash tender offer for our four senior unsecured notes up to a maximum aggregate purchase price of US$275 million. As a result, we repurchased US$258.1 million of principal and recognised losses on debt extinguishment of US$12.8 million in our finance costs.

Finance costs in 2014 was US$371 million, US$124 million of which were the interest expense and amortisation of transaction costs in respect of the refinancing and partial repayment of a syndicated term loan relating to the acquisition of Smithfield in 2013. Excluding such US$124 million, our underlying finance costs in 2014 was US$247 million. The finance cost in 2015 of US$219 million was US$28 million lower than the underlying finance costs in 2014.

As at December 31, 2015, about 37.1% of our borrowings carried floating interest rates and the average interest rate of our total borrowings was 4.9%, comparable to 4.8% in 2014.

Credit Profile

The Group aims at maintaining a good credit profile that is beneficial to its long-term growth and development. The current corporate rating of the Group is AAA according to China Cheng Xin International Credit Rating Co. Ltd.* (中誠信國際信用評級有限公司) ("**CCXI**"). The corporate rating of Shuanghui Group is also AAA according to CCXI. The corporate ratings of Smithfield from Moody's and Standard & Poor's are Ba3 and BB, respectively.

Capital Expenditures

Our capital expenditures are primarily for the construction of production plants as well as renovation and upgrading of existing facilities. We fund these capital expenditures with internally generated cash, bank loans and shareholders' capital.

In 2015, capital expenditures amounted to US$629 million (2014: US$952 million). The following table sets out our capital expenditures by geographical region for the year indicated:

	2015 US$ million	2014 US$ million
China	224	651
U.S.	335	253
Others	70	48
Total	629	952

In China, our capital expenditures for the year were related to the new production facilities in Zhengzhou, Shanghai and Liaoning. In U.S., our capital expenditures for the year were related to plant and hog farm improvement projects, including the replacement of gestation stalls with group pens.

As at the year end of 2015, we owned an annual production capacity of packaged meat products of 2.6 million metric tons in China and 1.6 million metric tons in U.S.. The utilization rates were 71.2% and 88.0%, respectively in China and U.S.. Annual production capacity of fresh pork was 22.5 million heads in China and 31.0 million heads in U.S.. Utilisation rates were 61.5% and 98.6%, respectively, in China and U.S..

Human Resources

We continued with our focus on talent management and employee engagement. As at December 31, 2015, we had approximately 105 thousand employees in total, with approximately 55 thousand employees in our China operation and approximately 50 thousand employees in our U.S. and European operations. Total remuneration expenses in 2015 amounted to US$3,197 million (2014: US$2,987 million).

Biological Assets

The biological assets of the Group are live hogs and poultry. As at December 31, 2015, we had a total of 11,640 thousand hogs, consisting of 10,574 thousand live hogs and 1,066 thousand breeding stock, a 1.0% decrease from 11,763 thousand hogs as at December 31, 2014. We also had a total of 3,317 thousand poultry, consisting of 2,862 thousand broiler and 455 thousand breeding stock. The fair value of our biological assets was US$1,065 million as at December 31, 2015 as compared to US$1,234 million as at December 31, 2014.

Our results have been, and we expect will continue to be, affected by changes in the fair value of our biological assets. Fair value of our biological assets is with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. We engaged an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to measure such fair value for the Group on an annual basis.

Our cost of sales are adjusted for changes in the fair value of biological assets, with fair value gains increasing our costs of sales and fair value losses decreasing our costs of sales, although the timing of these adjustments are not necessarily the same as the related gains or losses. Our cost of sales in each period are adjusted by (i) the change in the fair value of hogs less cost to sell at the point of harvest for hogs slaughtered during that period and (ii) the change in fair value less cost to sell of biological assets recognized in the previous periods.

These adjustments led to a increase of US$64 million and an increase of US$682 million in our cost of sales in 2015 and 2014, respectively. In addition, changes in the fair value arising from agricultural produce at fair value less cost to sell at the point of harvest and changes in fair values less cost to sell of biological assets also resulted in losses of US$28 million and US$35 million, respectively in 2015 (2014: gains of US$635 million and US$92 million, respectively). Overall speaking, the net impact of biological fair value adjustments on our profit was a loss in the amount of US$80 million in 2015, as compared to a gain in the amount of US$29 million in 2014.

Key Investment Interests

Mexican joint ventures

The Group has joint venture interests in two pork companies in Mexico, GCM and Norson. GCM sells live hogs into the Mexico City market, one of the largest markets in the world. Norson primarily produces hogs for use in its fresh pork operations. As at December 31, 2015, GCM and Norson had in aggregate approximately a hundred thousand sows on the farms in the states of Veracruz, Puebla and Sonora. In 2015, share of profit from the Mexican joint ventures was US$14.5 million (2014: US$43.7 million).

Campofrio

The Group held approximately 37% of the equity interest of Campofrio. In June 2015, the Group disposed of the entire 37% of its equity interest in Campofrio for an aggregate cash consideration of US$354 million. The net proceeds from such disposal was utilized in supplementing the Group's working capital and optimizing its capital structure. Please see the announcement of the Company dated June 3, 2015 for details.

Contingent Liabilities

Our operations are subject to various laws and regulations administered by various specific local authorities. We receive notices and inquiries from them in relation to compliance from time to time. Our management assesses and monitors these contingent liabilities. We believe that their financial and operational impact would not be material to the Group.

Key Risks and Their Management

Commodities Price Risk

Commodities comprise a significant part of the Group's inputs (costs) and outputs (sales). The Group uses various raw materials, primarily live hogs, meat, corn, and soybean meal in our packaged meats, fresh pork, and hog production operations. The Group's turnover is primary driven by sale of packaged meats and fresh pork and, to a lesser degree, sales of hogs to third parties. Significant price fluctuations in these commodities affect our results.

In China, we try to mitigate the effects of price fluctuations through overseas import, strategic inventory management and effective transfer of raw material prices to end customers. In U.S., these commodities are actively traded on commodity exchanges. We hedge these commodities in U.S. when we determine conditions are appropriate to mitigate price risk. The main objectives of our hedging program are to reduce hog production margin volatility and mitigate commodity price risk associated with forward sales in our packaged meats and fresh pork businesses. While this hedging activity may limit our ability to participate in gains from favorable commodity fluctuations, it also reduces the risk of loss from adverse changes in raw material prices. To address the exposures of commodity prices, the Group enters into a variety of transactions and the majority of these transactions are consummated through exchange traded futures contracts held with brokers. The Group has robust monitoring procedures in the approval and management of all its derivative activities under the leadership and execution of a dedicated and professional team.

Currency and interest rate risks

The Group generally matches income and expenses, assets and liabilities with the same currency, in each geographical location which it operates, to reduce currency risks. Only certain entities of the Group have certain sales, purchases, bank balances and cash and borrowings denominated in currencies other than their functional currencies. Our management monitors foreign exchange exposure. We enter into foreign exchange forward, currency swaps and options contracts to hedge significant foreign currency exposure should the need arise.

Our borrowings carry fixed or floating interest rates. At December 31, 2015, approximately 62.9% of our borrowings were at fixed interest rates (2014: 62.3%). Our management continue to monitor and regulate our fixed and floating rate debt portfolio from time to time in accordance to the market situation so as to manage our interest rate exposure. We non-periodically enter into interest rate swap contracts for hedging purpose when the interest rate exposure is significant.

Analysis of Results of Major Subsidiaries by Quarter

Shuanghui Development and Smithfield are the two major subsidiaries of the Group. Shuanghui Development is a company incorporated and operating in China, whose shares are listed on the Shenzhen Stock Exchange. The Group currently owns approximately 73.26% of the equity interest of Shuanghui Development. Smithfield is a company incorporated and operating mainly in U.S.. The Group currently owns 100% equity interest of Smithfield.

During the year, Shuanghui Development published its quarterly results, which were prepared in accordance with the China Accounting Standards for Business Enterprises. Smithfield also published its quarterly results, which were prepared in accordance with the accounting principles generally accepted in U.S.. The financial information contained below was in their respective accounting standards and reporting currencies. Readers are cautioned to consider the differences between such accounting standards and International Financial Reporting Standards, which the Group is adopting in preparation of its consolidated financial statements.

Shuanghui Development

	Three months ended March 31, 2015	Six months ended June 30, 2015	Nine months ended September 30, 2015	Twelve months ended December 31, 2015
	RMB million, (unless otherwise stated)			
Hogs processed (million heads)	3.37	6.20	8.98	12.39
Fresh pork external sales volume (million metric tons)	0.29	0.54	0.82	1.17
Packaged meat products sales volume (million metric tons)	0.35	0.75	1.18	1.58
Total operating income	9,931	20,354	32,205	44,697
Operating Profit	1,181	2,545	4,001	5,410
Total profit	1,202	2,637	4,162	5,675
Net profit	950	2,055	3,237	4,416
Total comprehensive income	950	2,055	3,237	4,416
Earnings per share:				
(1) Basic earnings per share (RMB)	0.4184	0.6007	0.9450	1.2892
(2) Diluted earnings per share (RMB)	0.4184	0.6007	0.9450	1.2892

	Three months ended March 31, 2014	Six months ended June 30, 2014	Nine months ended September 30, 2014	Twelve months ended December 31, 2014
	RMB million, (unless otherwise stated)			
Hogs processed (million heads)	3.91	7.67	11.22	15.01
Fresh pork external sales volume (million metric tons)	Not disclosed	Not disclosed	Not disclosed	1.20
Packaged meat products sales volume (million metric tons)	0.40	0.82	1.28	1.73
Total operating income	10,242	21,043	33,154	45,696
Operating Profit	1,326	2,712	3,979	5,109
Total profit	1,412	2,901	4,188	5,372
Net profit	1,123	2,291	3,303	4,215
Total comprehensive income	1,123	2,291	3,303	4,215
Earnings per share:				
(1) Basic earnings per share (RMB)	0.4897	0.6657	0.9581	1.2239
(2) Diluted earnings per share (RMB)	0.4897	0.6657	0.9581	1.2239

Smithfield

	Three months ended March 31, 2015	Six months ended June 28, 2015	Nine months ended September 27, 2015	Twelve months ended January 3, 2016
	US$ million (unless otherwise stated)			
Hogs produced in U.S. (million heads)	4.0	7.8	11.5	15.9
Hogs processed in U.S. (million heads)	7.7	15.1	22.2	30.5
Packaged meat products sales volume in U.S. (million metric tons)	0.33	0.64	0.94	1.36
Sales	3,616.5	7,103.1	10,509.2	14,438.4
Operating Profit	188.2	374.3	528.0	793.8
Income before income tax	140.7	296.0	417.4	647.9
Net income	97.0	201.2	284.5	452.3
Comprehensive income	37.9	199.3	240.7	293.2

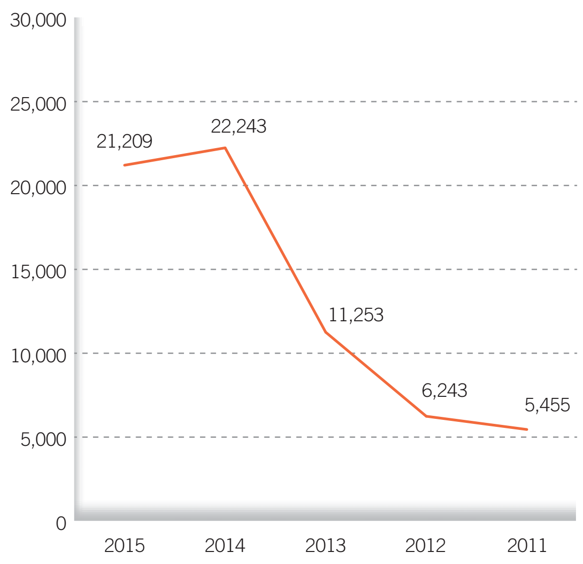
	Three months ended March 31, 2014	Six months ended June 29, 2014	Nine months ended September 28, 2014	Twelve months ended December 28, 2014
	US$ million, (unless otherwise stated)			
Hogs produced in U.S. (million heads)	Not disclosed	Not disclosed	10.8	14.7
Hogs processed in U.S. (million heads)	Not disclosed	Not disclosed	19.6	27.9
Packaged meat products sales volume in U.S. (million metric tons)	Not disclosed	Not disclosed	0.86	1.27
Sales	3,422.1	7,236.1	10,938.4	15,031.3
Operating Profit	196.4	456.6	706.7	931.6
Income before income tax	156.7	376.5	587.3	773.1
Net income	105.3	248.2	403.5	556.1
Comprehensive income/(loss)	(26.7)	148.9	230.5	298.5

Note:
The quarterly results of Shuanghui Development and Smithfield above were unaudited.

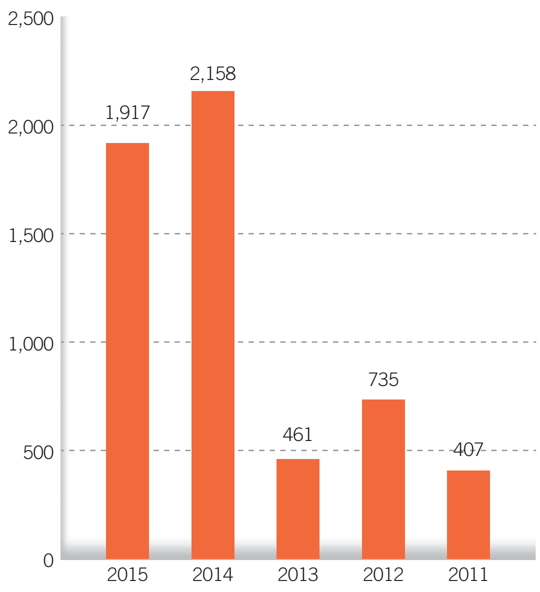
5-YEAR OPERATIONAL AND FINANCIAL STATISTICS

As of and for the Year Ended December 31 US$ million (unless otherwise stated)	2015	2014	2013	2012	2011
Key operating data					
Hogs produced (thousand heads)	19,077	17,685	5,460	300	298
Hogs processed (thousand heads)	48,335	47,170	22,772	11,419	10,006
Packaged meat products sales volume (thousand metric tons)	3,183	3,227	2,169	1,558	1,454
Key financial data					
Turnover	21,209	22,243	11,253	6,243	5,455
Turnover growth rate (%)	-4.6%	97.7%	80.2%	14.4%	5.3%
Operating profit	1,557	1,614	886	567	254
Operating profit margin (%)	7.3%	7.3%	7.9%	9.1%	4.7%
Profit before taxation	1,302	1,420	162	602	259
Taxation	(307)	(448)	(229)	(134)	(71)
Profit (loss) for the year	995	972	(67)	468	188
Profit (loss) for the year attributable to:					
– owners of the Company	786	766	(263)	325	129
– non-controlling interests	209	206	196	143	59
	995	972	(67)	468	188
Profit (loss) attributable to owners of the Company, before biological fair value adjustments	866	737	(289)	326	125
Basic earnings (loss) per share (US$ cents)	5.75	6.44	(2.62)	3.28	1.30
Total assets	14,301	14,720	14,156	3,497	3,882
Total liabilities	(7,598)	(8,670)	(11,018)	(947)	(1,749)
Net assets	6,703	6,050	3,138	2,550	2,133
Equity attributable to owners of the Company	5,763	5,130	2,275	1,789	1,548
Non-controlling interest	940	920	863	761	585
Total equity	6,703	6,050	3,138	2,550	2,133

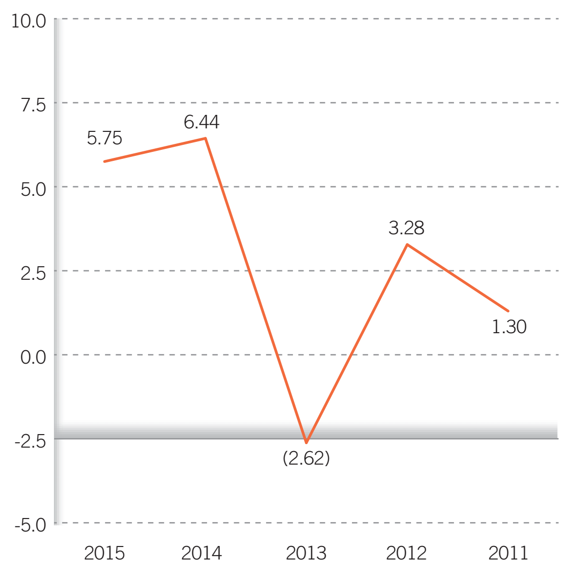
Turnover (US$ million)



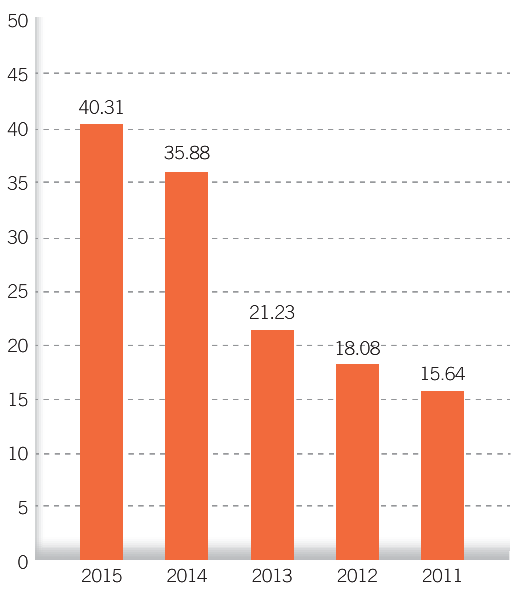
EBITDA (US$ million)



Basic earnings (loss) per share (US$ cents)



Net assets per share (US$ cents)



The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2015.

Commitment to Corporate Governance

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintaining investors' trust in the Company. The Group's management also actively observes the latest corporate governance developments in the PRC, Hong Kong and abroad. This Corporate Governance Report explains the Company's corporate governance principles and practices, including how the Board manages the business to deliver long-term shareholder value and to promote the development of the Group.

Corporate governance practices

In the opinion of the Board, the Company has complied with the provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the Review Period, except for the deviation as disclosed in the section headed "The Board – Board composition – (i) Chairman and chief executive officer" of this report.

Directors' securities transactions

The Company has adopted a Code of Conduct regarding securities transactions by the Directors on terms no less exacting than the required standards set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Code of Conduct during the Review Period.

THE BOARD

Roles and Responsibilities

The Board, led by the chairman, Mr. WAN Long, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company.

The Board, which is accountable to Shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company. It meets these obligations by ensuring the maintenance of high standards of governance in all aspects of the Company's business, setting the strategic direction for the Group and maintaining appropriate levels of review, challenge and guidance in its relationship with Group management. It is also the ultimate decision-making body for all matters considered material to the Group and is responsible for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively.

Board composition

The Board members during the year ended 31 December 2015 and up to the date of this report are as follows:

Executive Directors:

Mr. WAN Long	*(Chairman, Chief Executive Officer and Chairman of the Nomination Committee and the Food Safety Committee)*
Mr. GUO Lijun	*(Executive Vice President, Chief Financial Officer, and Chairman of the Environmental, Social and Governance Committee)*
Mr. ZHANG Taixi	*(Member of the Environmental, Social and Governance Committee and the Food Safety Committee; General Manager of Shuanghui Group)*
Mr. YANG Zhijun	*(Retired with effect from the conclusion of the AGM held on May 22, 2015; former Vice President)*
Mr. POPE C. Larry	*(Retired with effect from December 31, 2015; former President and Chief Executive Officer of Smithfield, and former member of the Environmental, Social and Governance Committee and the Food Safety Committee)*
Mr. SULLIVAN Kenneth Marc	*(Appointed on January 22, 2016; President and Chief Executive Officer of Smithfield, and member of the Environmental, Social and Governance Committee and the Food Safety Committee)*
Mr. YOU Mu	*(Appointed on January 22, 2016; President of Shuanghui Development)*

Non-executive Directors:

Mr. JIAO Shuge	*(Deputy Chairman and member of the Remuneration Committee)*

Independent non-executive Directors:

Mr. HUANG Ming	*(Chairman of the Remuneration Committee, and member of the Audit Committee and the Nomination Committee)*
Mr. LEE Conway Kong Wai	*(Chairman of the Audit Committee, and member of the Remuneration Committee and the Food Safety Committee)*
Mr. LAU, Jin Tin Don	*(Member of the Audit Committee, the Nomination Committee and the Environmental, Social and Governance Committee)*

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of the Directors.

Save as disclosed in the section headed "Biographies of Directors and Senior Management", the Directors have no other financial, business, family or other material/relevant relationships with one another.

(i) Chairman and chief executive officer

The roles of the chairman and the chief executive officer of the Company are served by Mr. WAN Long and have not been segregated as required under code A.2.1 of the CG Code. The Company considers that having Mr. Wan acting as both the chairman and chief executive officer of the Company will provide a strong and consistent leadership to the company and allow for more effective planning and management of the Company. Further, in view of Mr. Wan's extensive experience in the industry, personal profile and role in the Group and the historical development of the Group, the Board considers it is beneficial to the business prospects of the Group that Mr. Wan continues to act as both the chairman and chief executive officer of the Company.

(ii) Non-executive Director and independent non-executive Directors

During the Review Period, the Board had three independent non-executive Directors, being one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmations from each of the three independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgments.

Appointment, re-election and removal of Directors

The Company uses a formal and transparent procedure for the appointment of new Directors. Recommendations for the appointment of new Directors are received by the Board from the Nomination Committee. The Board then deliberates over such recommendations prior to approval.

The non-executive Director and independent non-executive Directors have been appointed for a specific term of three years, subject to re-nomination and re-election as required by the Articles of Association of the Company or pursuant to the Listing Rules at the general meetings of the Company.

Meetings

The Board meets on a regular basis, and on an ad hoc basis, as required by business needs. During the Review Period, the Board convened four meetings to approve interim and annual results announcements and financial reports, to recommend or declare dividends and to discuss the overall strategy and monitor financial and operation performance of the Company.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with all independent non-executive Directors and non-executive Director, without presence of the other executive Directors.

The attendance of each individual Director at the Board meetings, Board committees meetings, annual general meeting and extraordinary general meeting during the Review Period is set out in the following table:

	Number of meetings attend/held							
Directors[Note]	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	ESG Committee Meeting	Food Safety Committee Meeting	Annual General Meeting	Extraordinary General Meeting
WAN Long	4/4	N/A	N/A	1/1	N/A	2/2	1/1	N/A
GUO Lijun	4/4	N/A	N/A	N/A	2/2	N/A	1/1	N/A
YANG Zhijun (retired with effect from the conclusion of the AGM held on May 22, 2015)	1/4	N/A	N/A	N/A	N/A	N/A	0/1	N/A
POPE C. Larry (retired with effect from December 31, 2015)	4/4	N/A	N/A	N/A	2/2	2/2	0/1	N/A
ZHANG Taixi	4/4	N/A	N/A	N/A	2/2	2/2	0/1	N/A
JIAO Shuge	4/4	N/A	1/1	N/A	N/A	N/A	0/1	N/A
HUANG Ming	3/4	3/3	1/1	1/1	N/A	N/A	0/1	N/A
LEE Conway Kong Wai	4/4	3/3	1/1	N/A	N/A	2/2	1/1	N/A
LAU, Jin Tin Don	4/4	3/3	N/A	1/1	2/2	N/A	1/1	N/A

Note: Both Mr. Sullivan Kenneth Marc and Mr. You Mu were appointed as Directors with effect from January 22, 2016. Accordingly, they did not attend any Board meetings and Board Committee meetings during the Review Period.

Training for Directors

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives.

All newly appointed Directors have received the induction programme and briefing on director's duties and obligations on corporate governance and regulating requirements prepared and delivered by our external legal advisor immediately prior to or on their respective date of appointment.

The Company arranges and provides continuous professional development ("**CPD**") training and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts toward CPD training.

During the Review Period, the Directors participated in the following trainings:

Name of Director	Continuous Professional Development Reading or attending briefings and/or seminars and/or conferences relevant to regulatory and governance updates Training
Executive Director and Chief Executive Officer	
Mr. WAN Long	✓
Executive Directors*	
Mr. GUO Lijun	✓
Mr. YANG Zhijun (retired with effect from the conclusion of the AGM held on May 22, 2015)	–
Mr. POPE C. Larry (retired with effect from December 31, 2015)	✓
Mr. ZHANG Taixi	✓
Non-executive Director	
Mr. Jiao Shuge	✓
Independent non-executive Directors	
Mr. HUANG Ming	✓
Mr. LEE Conway Kong Wai	✓
Mr. LAU, Jin Tin Don	✓

* Both Mr. Sullivan Kenneth Marc and Mr. You Mu were appointed as Directors with effect from January 22, 2016. Accordingly, their training records have not been included above.

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. During the Review Period, no claim had been made against the Directors and the officers of the Company.

Board Committees

The Company's corporate governance is implemented through a structured hierarchy, which includes the Board of Directors and five committees of the Board, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Environmental, Social and Governance Committee and the Food Safety Committee. The Terms of Reference of the Board Committees are available on the HKExnews' and the Company's websites. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

The Board is collectively responsible for performing corporate governance duties including:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the Code of Conduct applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

Further details of the roles and functions of the Board Committees are set out below.

Audit Committee

Throughout the Review Period, the Audit Committee comprises three independent non-executive Directors, namely Mr. LEE Conway Kong Wai, Mr. HUANG Ming and Mr. LAU, Jin Tin Don. Mr. LEE Conway Kong Wai, who has professional qualifications in accountancy, is the chairman of the Audit Committee. The Audit Committee held three meetings during the Review Period. Executive Directors, senior management and the external auditor of the Company were invited to join the discussions at the meetings.

The primary duties performed by the Audit Committee during the year were the oversight of the Group's financial reporting system and internal control procedures, monitoring the integrity of the preparation of the Company's financial information including interim and annual results of the Group, reviewing the Group's financial and accounting policies and practices and monitoring the effectiveness of the internal audit function. The Audit Committee also provided oversight for and management of the relationship with the Group's external auditor, including reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

Remuneration Committee

Throughout the Review Period, the Remuneration Committee comprises three members, namely Mr. HUANG Ming (the chairman of the committee), Mr. LEE Conway Kong Wai and Mr. JIAO Shuge. The Remuneration Committee held one meeting during the Review Period.

The primary duties of the Remuneration Committee are to make recommendations and proposals to the Board in respect of remuneration policies and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board. The Remuneration Committee consulted the Chairman and/or Chief Executive about their remuneration proposals for the executive directors and is provided with sufficient resources enabling it to discharge its duties. The Remuneration Committee would access to independent professional advice if necessary. Their written terms of reference are available on the websites of the Company and the HKExnews.

The remuneration of Directors is also determined with reference to their experience, qualifications, responsibilities involved in the Company and prevailing market conditions. Details of emoluments of Directors for the Review Period are set out in Note 12 to the consolidated financial statements. The emoluments paid or payable to senior management (including Mr. SULLIVAN Kenneth Marc and Mr. YOU Mu who were members of the senior management during the Review Period, but excluding Mr. WAN Hongjian who was appointed after the Review Period) during the Review Period were within the following bands:

	Number of Senior Management
HK$3,000,001 to HK$3,500,000	1
HK$6,000,001 to HK$6,500,000	1
HK$7,000,001 to HK$7,500,000	1
HK$9,500,001 to HK$10,000,000	1
HK$11,000,001 to HK$11,500,000	1
HK$12,000,001 to HK$12,500,000	2
HK$39,500,001 to HK$40,000,000	1
HK$47,500,001 to HK$48,000,000	1
HK$63,500,001 to HK$64,000,000	1

Nomination Committee

Throughout the Review Period, the Nomination Committee comprises three members, being an executive Director, Mr. WAN Long, and two independent non-executive Directors, namely Mr. HUANG Ming and Mr. LAU, Jin Tin Don. Mr. WAN Long is the chairman of the committee. The Nomination Committee held one meeting during the Review Period.

The primary duties of the Nomination Committee are to review and make recommendations to the Board on the structure, size composition and diversity of the Board, to oversee the identification and assessment of potential board candidates, to provide oversight and direction in respect of the succession planning for directors and to determine the composition of Board Committees.

The Nomination Committee's procedures and criteria for selecting and making recommendations for appointment of Board members are designed to satisfy high standards of corporate governance. These processes meet or exceed the Stock Exchange requirements to ensure that every director of the Company has the requisite character, experience and integrity and is able to demonstrate a standard of competence, commensurate with his position as a director of a listed issuer, and that where nomination of independent non-executive Directors is under consideration the requirements of Rule 3.13 of the Listing Rules are satisfied.

Environmental, Social and Governance Committee

After Mr. POPE C. Larry retired as a member of the Environmental, Social and Governance Committee (the "**ESG Committee**") on December 31, 2015, the ESG Committee comprises Mr. GUO Lijun (the chairman of the committee), Mr. ZHANG Taixi and Mr. LAU, Jin Tin Don. On January 22, 2016, Mr. SULLIVAN Kenneth Marc was appointed as an executive Director and also a member of the ESG Committee. The ESG Committee held two meetings during the Review Period.

The primary duties of the ESG Committee are to identify the environment, social and governance matters that are relevant and material to the operations of the Group and/or that affect Shareholders and other key stakeholders, which shall include workplace quality, environmental protection, operating practices, community involvement and animal welfare.

The Group has a heritage of commitment to the local communities in which it conducts business and is committed to the long-term sustainability of the business. The ESG Committee will continue to formulate guidelines and initiatives that can be implemented on a Group-wide level.

Food Safety Committee

After Mr. POPE C. Larry retired as a member of the Food Safety Committee on December 31, 2015, the Food Safety Committee comprises Mr. WAN Long (the chairman of the committee), Mr. ZHANG Taixi and Mr. LEE Conway Kong Wai. On January 22, 2016, Mr. SULLIVAN Kenneth Marc was appointed as an executive Director and also a member of the Food Safety Committee. The Food Safety Committee held two meetings regarding the effective control over food quality and safety matters during the Review Period.

The primary duties of the Food Safety Committee are to review, assess and make recommendations on the Company's policies, practices and performance in relation to food quality and safety to comply with the relevant laws and regulations.

Company Secretary

The Company Secretary is accountable to the Board for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. The Company Secretary is responsible for keeping all Directors updated on Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, and the timely dissemination to Shareholders and the market of information relating to the Group.

During the Review Period, the Company Secretary has taken not less than 15 hours of relevant professional training.

Accountability and Audit

The Directors of the Company acknowledged their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended December 31, 2015 is set out in the Independent Auditor's Report on page 77 of this report.

Internal Control

The internal controls of the Group are designed to help the Group in protecting its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies comprising, among others, the relevant financial, operational and compliance controls and risk management functions.

The Board of Directors has, through the Audit Committee, reviewed and is generally satisfied with the effectiveness of the Group's internal control systems, including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Company's accounting and financial reporting function.

Independent Auditor

The Group's independent auditor is Deloitte Touche Tohmatsu. It is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year a report from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

Auditors' Remuneration

During the Review Period, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

Services rendered	**Fees paid/payable** (US$'million)
Audit services	5
Non-audit services (Note)	1

Note: Non-audit service mainly represents taxation and other advisory services.

Shareholders' Rights and Communication

As one of the measures to safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on every substantial matter, including the election of individual Directors, for Shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting and extraordinary general meetings as important events and Directors, chairman of each board committee, senior management and external auditors make an effort to attend the annual general meeting and extraordinary general meetings of the Company to address Shareholders' queries. All resolutions proposed at Shareholders' meetings will be voted on by poll. The poll voting results will be posted on the websites of the HKExnews (www.hkexnews.hk) and the Company (www.wh-group.com) on the same day of the relevant general meetings.

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company pursuant to Article 12.3 of the Articles of Association. Such requisition must specify the objects of the meeting and signed by requisitionists and deposited at the principal office of the Company or the Company's registered office in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting.

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal office of the Company in Hong Kong for the attention of the Company Secretary.

The Company adheres to high standards with respect to the disclosure of its financial statements. The Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the Shareholders and the public.

Investors Relations

The Company has maintained a continuing dialogue with the Company's Shareholders and investors through various channels, including, among others, the Company's interim and annual reports, notices, announcements, corporate governance practice and the Company's website at www.wh-group.com. The Company also holds press conferences from time to time at which the executive Directors and senior management of the Group are available to answer questions regarding the Group's business and performance.

Constitutional Documents

There was no change to the Company's memorandum and Articles of Association during the Review Period. A copy of the Company's memorandum and Articles of Association is available on the websites of the Company and the HKExnews.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Company and of the Group for the year ended December 31, 2015.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The Group is the world's largest pork company, with global leadership across key segments of the industry value chain, including packaged meats, fresh pork and hog production.

Business Review

A business review of the Group is set out on pages 18 to 31 of this report.

Results

Results of the Group for the year ended December 31, 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 78 to 184.

Dividends

The Board has proposed to recommend the payment of an annual dividend of HK$0.125 (2014: nil) (equivalent to approximately US$0.016) per share in cash to the Shareholders for the year ended December 31, 2015, representing a total payment of approximately HK$1,831 million (2014: nil) (equivalent to approximately US$236 million). The annual dividend is subject to approval of the Shareholders at the forthcoming AGM to be held on May 23, 2016 (the "**2016 AGM**").

Upon Shareholders' approval being obtained at the 2016 AGM, the annual dividend will be payable on or around June 13, 2016 to the Shareholders whose names appear on the register of members of the Company on May 27, 2016.

Book Closure of Register of Members

The register of members of the Company will be closed from May 30, 2016 to June 1, 2016, both days inclusive, during which period no transfer of shares of the Company will be registered, in order to qualify for the proposed annual dividend, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, May 27, 2016.

Share Premium and Reserves

Movements in the share premium and reserves of the Group during the year are set out on pages 82 and 83 to the consolidated statement of changes in equity.

Distributable Reserves

The Company's total distributable reserves as at December 31, 2015 amounted to US$3,234 million.

Donations

Charitable donations made by the Group during the year amounted to less than US$1 million (2014: US$1 million).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

Share Capital

Movements in the share capital of the Company during the year and as at December 31, 2015 are set out in Note 37 to the consolidated financial statements.

Borrowings and Capitalization of Interests

Details of borrowings are set out in Note 33 to the consolidated financial statements. Details of the Group's capitalized interest expenses and other borrowing costs during the year are set out in Note 10 to the consolidated financial statements.

Compliance with relevant laws and regulations

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Review Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with employees, customers and suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Review Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

Remuneration Policy and Retirement Benefits of the Group

For remuneration policy of the Group, please see the section headed "Human Resources" of the section headed "Financial Review".

The Group entities which operate in U.S. provide pension benefits for all their qualified employees, through defined benefit pension plans. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2015 by credentialed actuaries, Mercer (US), Inc., who meet the Qualification Standards of the American Academy of Actuaries. As of December 31, 2015, the fair value of plan assets was approximately 74.14% of our pension benefits obligations under such defined benefits plans. We generally contribute the minimum amount required under U.S. government regulations to such defined benefits plans. Given the foregoing, we have met or exceeded our funding requirements for our obligations under such defined benefits plans for the year ended December 31, 2015.

Please see Note 36 to the consolidated financial statements contained herein for further details relating to such defined benefits plans and the Group's other retirement benefits plans.

Basis of Determining Remuneration to Directors

Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the executive Directors, including the share option scheme, same as those offered to other employees of the Group.

Financial Review

A financial highlights of the Group is set out on page 4 of this report, while a financial review of the Group is set out on pages 32 to 52 of this report.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Review Period.

Directors

Certain information on the members of the Board during the Review Period and up to the date of this report is set out on page 56 of this report:

In accordance with Article 16.18 of the Articles of Association, Mr. Guo Lijun, Mr. Zhang Taixi and Mr. Lee Conway Kong Wai shall retire by rotation and, being eligible, offer themselves for re-election at the 2016 AGM.

In accordance with Article 16.2 of the Articles of Association, Mr. Sullivan Kenneth Marc and Mr. You Mu shall retire from their office and, being eligible, offer themselves for re-election at the 2016 AGM.

Brief biographical details of the Directors and senior management are set out on pages 8 to 17 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who is proposed for re-election at the 2016 AGM has a service contract with any member of the Group which is not determinable by the Group within one year without the payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the Review Period.

Directors' Rights to Purchase Shares or Debentures

Save for the share options granted pursuant to the Pre-IPO Share Option Scheme as set out below, at no time during the Review Period, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Change in Director's Biographical Details

Pursuant to Rule 13.51B(1) of the Listing Rules, there have been changes of directors' biographical details since the date of the 2015 interim report of the Company. Mr. Pope C. Larry retired as an executive Director with effect from December 31, 2015. Both Mr. Sullivan Kenneth Marc and Mr. You Mu were appointed as executive Directors with effect from January 22, 2016.

Disclosure of Interests

Directors

As at December 31, 2015, the interests and short positions of the Directors and chief executive officer of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Interests in shares of the Company

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Wan Long	Interest in a controlled corporation(1)	573,099,645	3.9124%
	Beneficiary of a trust(2)	746,452,069	5.0958%
	Personal interest	1,500,000	0.0102%
Mr. Guo Lijun	Beneficiary of a trust(3)	62,785,688	0.4286%
	Personal interest	100,000	0.0007%
Mr. Zhang Taixi	Beneficiary of a trust(4)	1,013,590	0.0069%
Mr. You Mu(5)	Beneficiary of a trust(6)	10,382,709	0.0709%

Notes:

(1) Mr. Wan Long owns Sure Pass as to 100%, which in turn owns 573,099,645 Shares. Accordingly, Mr. Wan Long is deemed to have interest in the 573,099,645 Shares held by Sure Pass.

(2) Mr. Wan Long is one of the participants in the Heroic Zone Share Plan, through which he holds approximately 14.98% of the beneficial interest in Rise Grand, which in turn owns 100% of the equity interest of Heroic Zone. Accordingly, Mr. Wan Long is deemed to have interest in the 746,452,069 Shares which Heroic Zone is interested in.

(3) Mr. Guo Lijun is one of the participants in the Heroic Zone Share Plan, through which he holds approximately 1.26% of the beneficial interest in Rise Grand, which in turn owns 100% of the equity interest of Heroic Zone. Accordingly, Mr. Guo Lijun is deemed to have interest in the 62,785,688 Shares which Heroic Zone is interested in.

(4) Mr. Zhang Taixi is one of the participants in the Heroic Zone Share Plan, through which he holds approximately 0.02% of the beneficial interest in Rise Grand, which in turn owns 100% of the equity interest of Heroic Zone. Accordingly, Mr. Zhang Taixi is deemed to have interest in the 1,013,590 Shares which Heroic Zone is interested in.

(5) Mr. You Mu was appointed as an executive director with effect from January 22, 2016.

(6) Mr. You Mu is one of the participants in the Heroic Zone Share Plan, through which he holds approximately 0.21% of the beneficial interest in Rise Grand, which in turn owns 100% of the equity interest of Heroic Zone. Accordingly, Mr. You Mu is deemed to have interest in the 10,382,709 Shares which Heroic Zone is interested in.

(ii) Interests in underlying shares of the Company

Name of Director/ Chief Executive Officer	Capacity/Nature of Interest	Number of Underlying Shares subject to the Pre-IPO Share Options	Approximate Percentage of Shareholding[1]
Mr. Wan Long	Beneficial interest	146,198,889	0.9597%
Mr. Guo Lijun	Beneficial interest	40,000,000	0.2626%
Mr. Pope C. Larry[2]	Beneficial interest	40,000,000	0.2626%
Mr. Zhang Taixi	Beneficial interest	40,000,000	0.2626%
Mr. Sullivan Kenneth Marc[3]	Beneficial interest	12,000,000	0.0788%
Mr. You Mu[4]	Beneficial interest	3,674,969	0.0241%

Notes:

(1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue and assuming that all the Pre-IPO Share Options have been exercised in full.

(2) Mr. Pope C. Larry retired as an executive Director with effect from December 31, 2015.

(3) Mr. Sullivan Kenneth Marc was appointed as an executive Director with effect from January 22, 2016.

(4) Mr. You Mu was appointed as an executive Director with effect from January 22, 2016.

(iii) Interests in associated corporations

Name of Director/ Chief Executive Officer	Name of Associated Corporation	Capacity/ Nature of Interest	Number of Shares Interested	Approximate Percentage of Shareholding
Mr. Wan Long	Shuanghui Development	Beneficial interest	301,736	0.009%
Mr. Zhang Taixi	Shuanghai Development	Beneficial Interest	15,000	0.000%
Mr. You Mu[1]	Shuanghai Development	Interest of spouse[2]	15,000	0.000%

Notes:

(1) Mr. You Mu was appointed as an executive Director with effect from January 22, 2016.

(2) Ms. Chen Ling Hua is the spouse of Mr. You Mu and is the beneficial owner of 15,000 shares of Shuanghai Development. Mr. You Mu is deemed to be interested in such 15,000 shares within the meaning of Part XV of the SFO.

Save as disclosed above, as at December 31, 2015, so far as was known to any Director or chief executive officer of the Company, neither the Directors nor the chief executive officer had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at December 31, 2015, so far as was known to any Director or chief executive officer of the Company, shareholders (other than the Director or chief executive of the Company whose interest were disclosed above) who had interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interest in the shares of the Company

Name	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Shareholding[14]
Rise Grand[1]	Interest in controlled corporation	4,982,991,111	34.017%
Heroic Zone[2]	Beneficial interest	3,181,820,000	21.721%
	Interest in controlled corporation	1,801,171,111	12.296%
CDH Shine	Beneficial interest	1,745,452,290	11.916%
CDH Shine II Limited	Beneficial interest	968,530,000	6.612%
CDH Sunshine Limited[3]	Interest in controlled corporation	968,530,000	6.612%
China Shine Group Limited[4]	Interest in controlled corporation	3,547,954,371	24.221%
CDH PE Fund, L.P.[5]	Interest in controlled corporation	3,547,954,371	24.221%
CDH PE Holdings Company Limited[6]	Interest in controlled corporation	3,547,954,371	24.221%
CDH China Growth Capital Holdings Company Limited[7]	Interest in controlled corporation	3,547,954,371	24.221%
China Diamond Holdings III Limited[8]	Interest in controlled corporation	3,547,954,371	24.221%
CDH V Holdings Company Limited[9]	Interest in controlled corporation	903,056,579	6.165%
China Diamond Holdings V Limited[10]	Interest in controlled corporation	903,056,579	6.165%
China Diamond Holdings Company Limited[11]	Interest in controlled corporation	4,451,010,950	30.386%
Ms. Wang Meixiang (王梅香)[12]	Interest of spouse	1,321,051,714	9.018%
	Interest of spouse	146,198,889	0.9597%[13]

Notes:

1. Rise Grand, as the sole shareholder of Heroic Zone, is deemed to be interested in the 3,181,820,000 Shares held by Heroic Zone. As of July 18, 2014, the beneficial interest of Rise Grand was owned by 325 participants (the "**HSP Participants**") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated December 25, 2009, the employee share committee (the "**ESC**"), on behalf of all HSP Participants under the Heroic Zone Share Plan, entrusted three individual trustees, namely Messrs. Zhao Yinzhang, He Xingbao and Lei Yutian, (each being an employee of the Group), to hold the legal title, and to exercise the voting rights attached to 100% equity interest in Rise Grand in joint tenancy (the "**HSP Trustees**"). Under the Heroic Zone Share Plan, the ESC, on behalf of all HSP Participants, is entitled to instruct the HSP Trustees as to how to exercise their rights as the registered shareholders of Rise Grand, which in turn will instruct Heroic Zone, a wholly owned subsidiary of Rise Grand, as to how to exercise its rights, including the voting rights attached to the Shares it holds in the Company. The members of the ESC are selected by the general meeting of the HSC participants. The ESC has been composed of five members since its establishment. For further details of the Heroic Zone Share Plan, please see the section headed "History, Development and Corporate Structure – Shareholding Changes – Shareholding Structure at Beginning of Track Record Period" of the Prospectus.
2. Chang Yun, High Zenith, Sure Pass and Rich Matrix should exercise the voting rights attached to their Shares respectively held by them in accordance with the direction of Heroic Zone in its absolute discretion. Therefore, Heroic Zone is deemed to be interested in the 1,801,171,111 Shares in aggregate held by Chang Yun, High Zenith, Sure Pass and Rich Matrix. For further details of the voting rights of Chang Yun, High Zenith, Sure Pass and Rich Matrix, please see the sections headed "History, Development and Corporate Structure – Our History – History of Our PRC Business – Share issuance and Transfer to Chang Yun" and "History, Development and Corporate Structure – Shareholding Changes – Shareholding Changes During Track Record Period – High Zenith" of the Prospectus.

3. CDH Shine II Limited is wholly owned by CDH Sunshine Limited. Therefore, CDH Sunshine Limited is deemed to be interested in all the Shares held by CDH Shine II Limited under the provisions of part XV of the SFO.
4. China Shine Group Limited directly owns the entire interests in each of CDH Shine, CDH Shine III Limited and CDH Shine IV Limited and, through CDH Sunshine Limited, owns the entire interest in CDH Shine II Limited. Therefore, China Shine Group Limited is deemed to be interested in all the Shares held by CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.
5. China Shine Group Limited is wholly owned by CDH PE Fund, L.P. Therefore, CDH PE Fund, L.P. is deemed to be interested in all the Shares held by CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.
6. The general partner of CDH PE Fund, L.P. is CDH PE Holdings Company Limited. Therefore, CDH PE Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.
7. CDH PE Holdings Company Limited is wholly owned by CDH China Growth Capital Holdings Company Limited. Therefore, CDH China Growth Capital Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.
8. China Diamond Holdings III Limited directly owns approximately 69.5% of CDH China Growth Capital Holdings Company Limited. Therefore, China Diamond Holdings III Limited is deemed to be interested in all the Shares held by CDH Shine, CDH Shine II Limited, CDH Shine III Limited and CDH Shine IV Limited under the provisions of Part XV of the SFO.
9. CDH Shine V Limited is owned as to 69.9% and 30.1% by CDH Fund V L.P. and Tianjin Dinghui Jiapeng Equity Investment Partnership (L.P.) (天津鼎暉嘉鵬股權投資合伙企業(有限公司)), respectively. CDH V Sunshine I Limited and CDH V Sunshine II Limited are directly wholly owned by CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P., respectively. The general partners of CDH V Co-investment Shine I, L.P. and CDH V Co-investment Shine II, L.P. are CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited, respectively, CDH V Holdings Company Limited is the general partner of CDH Fund V L.P. and also owns the entire interests in CDH V Shine I Holdings Limited and CDH V Shine II Holdings Limited. Therefore, CDH V Holdings Company Limited is deemed to be interested in all the Shares held by CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited.
10. CDH V Holdings Company Limited is owned as to 80% by China Diamond Holdings V Limited. Therefore, China Diamond Holdings V is deemed to be interested in all the Shares held by CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited.
11. Each of China Diamond Holdings III Limited and China Diamond Holdings V Limited is wholly owned by China Diamond Holdings Company Limited. Therefore, China Diamond Holdings Company Limited is deemed to be interested in all the Shares held by the CDH Shareholders.
12. Ms. Wang Meixiang is the spouse of Mr. Wan Long. Therefore, Ms. Wang Meixiang is deemed to have interest in the 1,321,051,714 Shares which Mr. Wan Long is interested in. In addition, Ms. Wang Meixiang is also deemed to be interested in the 146,198,889 underlying Shares subject to the Pre-IPO Share Options which Mr. Wan Long is interested in.
13. This percentage is for illustrative purpose only and is calculated based on the number of Shares in issue and assuming that all the Pre-IPO Share Options have been exercised in full.
14. The percentage of shareholding in the table is presented without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Option.

Save as disclosed above, as at December 31, 2015, the Company has not been notified by any person who had any interests or short positions in the shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on January 21, 2014 as amended on April 4, 2014.

The following table discloses details of the Company's outstanding share options held by the Directors, the connected persons and certain employees of the Company under the Pre-IPO Share Option Scheme and their movements during the Review Period:

Number of Share Options

Grantee	Date of Grant	As at January 1, 2015	Exercised	Cancelled	Lapsed	As at December 31, 2015	Exercise Price (HK$)	Exercise Period
Directors*								
WAN Long (萬隆)	July 10, 2014	146,198,889	–	–	–	146,198,889	6.20	Note
GUO Lijun (郭麗軍)	July 10, 2014	40,000,000	–	–	–	40,000,000	6.20	Note
POPE C. Larry	July 10, 2014	40,000,000	–	–	–	40,000,000	6.20	Note
ZHANG Taixi (張太喜)	July 10, 2014	40,000,000	–	–	–	40,000,000	6.20	Note
SULLIVAN Kenneth Marc	July 10, 2014	12,000,000	–	–	–	12,000,000	6.20	Note
YOU Mu (游牧)	July 10, 2014	3,674,969	–	–	–	3,674,969	6.20	Note
Connected persons								
WAN Hongwei (萬宏偉)	July 10, 2014	2,500,000	–	–	–	2,500,000	6.20	Note
YOU Zhaosheng (游召勝)	July 10, 2014	4,115,966	–	–	4,115,966	–	6.20	Note
LI Xianmu (李現木)	July 10, 2014	5,144,957	–	–	–	5,144,957	6.20	Note
Lei Yonghui (雷永輝)	July 10, 2014	3,674,969	–	–	–	3,674,969	6.20	Note
HE Jianmin (賀建民)	July 10, 2014	4,409,963	–	–	–	4,409,963	6.20	Note
LIU Hongsheng (劉紅生)	July 10, 2014	4,409,963	–	–	–	4,409,963	6.20	Note
YU Songtao (余松濤)	July 10, 2014	4,409,963	–	–	–	4,409,963	6.20	Note
PAN Guanghui (潘廣輝)	July 10, 2014	4,409,963	–	–	–	4,409,963	6.20	Note
ZHAO Sufang (趙朔方)	July 10, 2014	4,409,963	–	–	–	4,409,963	6.20	Note
CAO Xiaojie (曹曉杰)	July 10, 2014	4,409,963	–	–	–	4,409,963	6.20	Note
LI Jun (李駿)	July 10, 2014	3,674,969	–	–	–	3,674,969	6.20	Note
ZHAO Guobao (趙國寶)	July 10, 2014	1,469,988	–	–	–	1,469,988	6.20	Note
LI Yong (李永)	July 10, 2014	2,939,976	–	–	–	2,939,976	6.20	Note
SONG Hongliang (宋紅亮)	July 10, 2014	2,939,976	–	–	–	2,939,976	6.20	Note
YU Guangshan (芋廣山)	July 10, 2014	2,939,976	–	–	–	2,939,976	6.20	Note
YIN Weihua (尹衛華)	July 10, 2014	2,939,976	–	–	–	2,939,976	6.20	Note
ZHU Longhu (朱龍虎)	July 10, 2014	2,939,976	–	–	–	2,939,976	6.20	Note
CHAI Wenlei (柴文磊)	July 10, 2014	1,469,988	–	–	–	1,469,988	6.20	Note
MA Xiangjie (馬相杰)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
QIAO Haili (喬海莉)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
WANG Yufen (王玉芬)	July 10, 2014	9,922,417	–	–	–	9,922,417	6.20	Note
LIU Songtao (劉松濤)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
COLE, Michael H.	July 10, 2014	2,000,000	–	–	–	2,000,000	6.20	Note
SCHELLPEPER, Timothy O.	July 10, 2014	9,000,000	–	–	9,000,000	–	6.20	Note
SEBRING, Joseph B.	July 10, 2014	4,500,000	–	–	–	4,500,000	6.20	Note

Grantee	Date of Grant	As at January 1, 2015	Exercised	Cancelled	Lapsed	As at December 31, 2015	Exercise Price (HK$)	Exercise Period
SCHMIDT Gregg	July 10, 2014	3,000,000	–	–	–	3,000,000	6.20	Note
MIHAIL Bogdan	July 10, 2014	250,000	–	–	–	250,000	6.20	Note
POPE Christopher L.	July 10, 2014	1,000,000	–	–	–	1,000,000	6.20	Note
HE Shenghua	July 10, 2014	1,500,000	–	–	–	1,500,000	6.20	Note
Thamodaran Dhamu R.	July 10, 2014	7,000,000	–	–	–	7,000,000	6.20	Note
Nowakowski Dariusz	July 10, 2014	4,000,000	–	–	–	4,000,000	6.20	Note
Chau Ho (周豪)	July 10, 2014	3,500,000	–	–	–	3,500,000	6.20	Note
Other grantees who have been granted the Pre-IPO Share Options to subscribe for 4,500,000 Shares or more								
Wen Guoshan (溫國山)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
Li Hongwei (李紅偉)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
Wang Yonglin (王永林)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
Fu Zhiyong (付志勇)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
Guo Xinwen (郭新聞)	July 10, 2014	5,879,951	–	–	–	5,879,951	6.20	Note
Liu Qingde (劉清德)	July 10, 2014	5,144,957	–	–	–	5,144,957	6.20	Note
Senior management and other employees (in aggregate)	July 10, 2014	132,469,288	–	–	5,929,833	126,539,455	6.20	Note
Total		583,495,555	–	–	19,045,799	564,449,756		

Note:

Each grantee to whom a Pre-IPO Share Option has been granted shall be entitled to exercise his/her Pre-IPO Share Option in such manner as set out below:

(1) to subscribe up to ten (10)% of the Shares that are subject to the Pre-IPO Share Option so granted to him/her (round down to the nearest whole number), exercisable at any time during the period commencing on the first (1st) anniversary of the Listing Date;

(2) to subscribe up to twenty-five (25)% of the Shares that are subject to the Pre-IPO Share Option so granted to him/her less the number of Shares in respect of which the Pre-IPO Share Option has been exercised (rounded down to the nearest whole number), exercisable at any time during the period commencing on the second (2nd) anniversary of the Listing Date;

(3) to subscribe up to forty-five (45)% of the Shares that are subject to the Pre-IPO Share Option so granted to him/her less the number of Shares in respect of which the Pre-IPO Share Option has been exercised (rounded down to the nearest whole number), exercisable at any time during the period commencing on the third (3rd) anniversary of the Listing Date;

(4) to subscribe up to seventy (70)% of the Shares that are subject to the Pre-IPO Share Option so granted to him/her less the number of Shares in respect of which the Pre-IPO Share Option has been exercised (rounded down to the nearest whole number), exercisable at any time during the period commencing on the fourth (4th) anniversary of the Listing Date; and

(5) to subscribe such number of Shares subject to the Pre-IPO Share Option so granted to him/her less the number of Shares in respect of which the Pre-IPO Share Option has been exercised (rounded to the nearest whole number), exercisable at any time commencing on the fifth (5th) anniversary of the Listing Date.

* Both Mr. Sullivan Kenneth Marc and Mr. You Mu were appointed as Directors with effect from January 22, 2016.

2010 Share Award Plan

To recognize and reward the contribution of certain employees to the Group, provide incentives to retain them to support the continued growth of the Group, and attract suitable personnel for further development, the Company adopted the 2010 Share Award Plan on November 26, 2010.

Teeroy Limited, a company incorporated under the laws of Hong Kong, was designated as the trustee administering the 2010 Share Award Plan. Pursuant to a shareholders' resolution of the Company passed on November 26, 2010 and relevant procedures, Chang Yun, a wholly owned subsidiary of the trustee incorporated in the BVI, obtained 631,580,000 Shares, representing 6.00% of the Company's then enlarged issued share capital. The pool of Shares held by Chang Yun comprised (i) 10,526 Shares of a par value of US$1.00 per share that were transferred indirectly from Shine B to the trustee, which were then subdivided into 105,260,000 Shares and (ii) 526,320,000 Shares allotted and issued by the Company in consideration of US$52,632 paid by the trustee.

Under the 2010 Share Award Plan, the Chairman is entitled to select, as the recipient of a share award, any employee of the Company (excluding any non-executive Director), its subsidiaries and entities in which any member of the Group holds any equity interest. The Chairman is also entitled to decide the number of Shares awarded, proposed vesting date, performance target for vesting, lock-up period and other terms and conditions, considering the pre-tax and after-tax net profit of the Company from 2012 to 2014. A recipient shall not transfer or otherwise dispose of any interest in the vested Shares to any third party, unless (i) subject to the Chairman's approval, the purpose of transfer or disposal is to finance any tax payable on account of the vested Shares or (ii) a period of five years from the vesting date has elapsed.

On December 26, 2012, we notified certain employees of the Group, including but not limited to two of our Directors, Messrs. Guo Lijun and Zhang Taixi, and Mr. Yang Zhijun (who was then an executive Director until he retired with effect from the conclusion of the AGM held on May 22, 2015) that we would consider awarding up to specified numbers of Shares to the relevant employees under the 2010 Share Award Plan, subject to the terms and conditions decided by the Chairman and provided that a set of performance targets of the Company from 2012 to 2014 had been achieved. The notifications confirmed that no right or interest had been conferred on the recipients of the notifications. For each of Messrs. Guo Lijun, Zhang Taixi and Yang Zhijun, to whom the maximum amount of Shares that we might award after December 31, 2014 as specified in the relevant notifications were 34,736,901 Shares, 53,684,301 Shares and 34,736,901 Shares, respectively, depending on the actual performances of the Company from 2012 to 2014. The notifications also required each of the recipients to agree to provide, upon being awarded any Shares under the 2010 Share Award Plan, an irrevocable undertaking authorizing Heroic Zone to exercise the voting rights of any awarded Shares. Each of the recipients, including but not limited to Messrs. Guo Lijun, Zhang Taixi and Yang Zhijun, confirmed and agreed to the requirements of the notifications. We currently expect that all awarding conditions under the 2010 Share Award Plan will be achieved and all relevant Shares will be awarded ultimately.

Before the underlying Shares of the 2010 Share Award Plan are awarded, Chang Yun is obligated to exercise the voting rights in respect of the relevant Shares in accordance with the direction given by the Company from time to time. On November 26, 2010, the Company instructed Chang Yun to exercise such voting rights in accordance with the direction of Heroic Zone, a wholly owned subsidiary of Rise Grand, as given in its absolute discretion. Because of the acquisition of control by Rise Grand over the Company and ultimately over Shuanghui Development, Rise Grand was required under PRC laws and regulations to make a tender offer for the shares of all public shareholders of Shuanghui Development. Rise Grand declared in the tender offer, effective from November 21, 2011 to December 20, 2011, that the tender offer was made pursuant to the requirements of PRC laws and regulations and it did not intend to take Shuanghui Development private. As a result, no publicly held shares of Shuanghui Development were tendered.

The 2010 Share Award Plan will terminate on November 26, 2020 or any earlier date determined by our Board. For more details about the share awards made under the 2010 Share Award Plan, please refer to the Company's Prospectus.

2013 Share Award Plan

To incentivize and attract talent for the further development of the Group following the acquisition of Smithfield, the Board adopted the 2013 Share Award Plan on October 23, 2013. Teeroy Limited was designated as the trustee for administering the 2013 Share Award Plan. The pool of 350,877,333 Shares subject to the 2013 Share Award Plan, representing approximately 3% of the Company's then issued share capital on a fully diluted basis, were allotted and issued to High Zenith, the trustee's wholly owned special purpose vehicle incorporated in the BVI, on October 23, 2013 for a consideration of approximately US$35,088.

Under the 2013 Share Award Plan, Mr. Wan Long and Mr. Jiao Shuge, both Directors of the Company, are entitled to jointly select the recipients of share awards, who may include (i) any full-time or part-time employee or officer (including but not limited to any executive or non-executive director) of the Company, its subsidiaries and entities in which any member of the Group holds any equity interest, and (ii) any consultants, agents and advisers of the Company, its subsidiaries and entities in which any member of the Group holds any equity interest. Mr. Wan Long and Mr. Jiao Shuge are also entitled to jointly decide the number of Shares awarded, proposed vesting date, performance target for vesting, lock-up period and other terms and conditions.

High Zenith is contractually obligated to exercise the voting rights in respect of any Shares held under trust for the 2013 Share Award Plan in accordance with the direction given by the Company from time to time. On October 23, 2013, the Company directed High Zenith to exercise such voting rights in accordance with the direction of Heroic Zone as given in its absolute discretion.

The 2013 Share Award Plan will terminate on October 23, 2023 or any earlier date determined by the Board of Directors. As of July 18, 2014, no award has been made under the 2013 Share Award Plan.

The Company also undertook the following share-based payment transactions on October 23, 2013:

- *4.9% Share Issuance to Sure Pass.* The Company allotted and issued 573,099,645 Shares, representing approximately 4.9% of the Company's then issued share capital on a fully diluted basis, to Sure Pass, a company organized and existing under the laws of the BVI and wholly owned by Mr. Wan Long.

- *2.1% Share Issuance to Rich Matrix.* The Company allotted and issued 245,614,133 Shares, representing approximately 2.1% of the Company's then issued share capital on a fully diluted basis, to Rich Matrix, a company organized and existing under the laws of the BVI and wholly owned by Mr. Yang Zhijun.

Each of Sure Pass and Rich Matrix has irrevocably undertaken to exercise the voting rights in respect of its Shares in accordance with the direction given by the Company from time to time. On October 23, 2013, the Company instructed Sure Pass and Rich Matrix to exercise such voting rights in accordance with the direction of Heroic Zone as given in its absolute discretion.

For more details about our 2013 Share Award Plan and other share-based payment transactions in 2013, please refer to the Company's Prospectus.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, the jurisdiction in which the Company was incorporated, and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Tax Relief

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

Competing Interests

During the Review Period, none of the Directors is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Corporate Governance Measures in Relation to Non-Competition Undertakings

Rise Grand, Heroic Zone, Chang Yun, High Zenith, Sure Pass and Rich Matrix (collectively, the "**Covenantors**") have entered into a deed of non-competition in favour of the Company on July 18, 2014 (the "**Deed of Non-competition**"). China Diamond Holdings Company Limited, CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited (collectively, the "**CDH Covenantors**") have entered into a deed of non-competition in favour of the Company on July 18, 2014 (the "**CDH Deed of Non-competition**"). Details of the Deed of Non-competition and CDH Deed of Non-competition have been set out in the Prospectus. There has been no change to the terms of the Deed of Non-competition and the CDH Deed of Non-competition during the Review Period.

The Company has received confirmations on compliance with the undertakings under the Deed of Non-Competition and the CDH Deed of Non-competition from the Covenantors and the CDH Covenantors, respectively, for the Review Period (together, the "**Confirmations**"). Upon receiving the Confirmations, the independent non-executive Directors have reviewed the same as part of the annual review process. In view of the above, the independent non – executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Covenantors and the CDH Covenantors of the non-competition undertakings in the Deed of Non-competition and CDH Deed of Non-competition, respectively.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Review Period.

Major Suppliers and Customers

The purchases and turnover attributable to the Group's five largest suppliers and five largest customers combined, respectively, was each less than 30% for the year ended December 31, 2015.

As far as the Directors are aware, none of the Directors, their associates, nor the substantial Shareholders had any interest in the five largest customers and suppliers of the Group.

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company, on terms no less exacting than the required standards set out in the Model Code, on July 17, 2014.

Specific enquiry has been made to all directors of the Company and all directors have confirmed that they have complied with the applicable code of conduct throughout the Review Period.

Corporate Governance Practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. The Board has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the Model Code as the guidelines for the Directors' dealings in the securities of the Company since the Listing Date.

Sufficient Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Connected Transactions

During the Review Period, there was no connected transaction of the Group that need to be disclosed pursuant to Chapter 14A of the Listing Rules.

Events After the End of the Reporting Period

Details of significant events occurring after the end of the reporting period are set out in note 47 to the consolidated financial statements.

Auditors

The consolidated financial statements for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for reappointment, at the 2016 AGM.

On behalf of the Board

Wan Long
Chairman of the Board and Chief Executive Officer

Hong Kong, March 29, 2016

Deloitte.
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TO THE SHAREHOLDERS OF WH GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of WH Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 184, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 29, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2015

		2015			2014		
	Notes	Results before biological fair value adjustments US$'million	Biological fair value adjustments US$'million	Total US$'million	Results before biological fair value adjustments US$'million	Biological fair value adjustments US$'million	Total US$'million
Turnover	6	21,209	–	21,209	22,243	–	22,243
Cost of sales		(17,065)	(64)	(17,129)	(18,146)	(682)	(18,828)
Gross profit		4,144	(64)	4,080	4,097	(682)	3,415
Distribution and selling expenses		(1,783)	–	(1,783)	(1,662)	–	(1,662)
Administrative expenses		(740)	–	(740)	(758)	–	(758)
(Loss) gain arising from agricultural produce at fair value less costs to sell at the point of harvest		–	(28)	(28)	–	635	635
(Loss) gain arising from changes in fair value less costs to sell of biological assets		–	(35)	(35)	–	92	92
Other income	7	96	–	96	102	–	102
Other gains and losses	8	1	–	1	14	–	14
Other expenses	9	(84)	–	(84)	(110)	–	(110)
Finance costs	10	(219)	–	(219)	(371)	–	(371)
Share of (losses) profits of associates		(1)	–	(1)	18	–	18
Share of profits of joint ventures		15	–	15	45	–	45
Profit before taxation	11	1,429	(127)	1,302	1,375	45	1,420
Taxation	13	(354)	47	(307)	(432)	(16)	(448)
Profit for the year		1,075	(80)	995	943	29	972
Other comprehensive expense for the year:	46						
Items that will not be reclassified subsequently to profit or loss:							
– remeasurement on defined benefit pension plans				(12)			(118)
Items that may be reclassified subsequently to profit or loss:							
– exchange differences arising on translation of foreign operations				(245)			(231)
– fair value change in cash flow hedge				(47)			29
– reclassification adjustment on translation reserve released on disposal of interest in an associate				36			–
				(256)			(202)

	Notes	2015 Results before biological fair value adjustments US$'million	2015 Biological fair value adjustments US$'million	2015 Total US$'million	2014 Results before biological fair value adjustments US$'million	2014 Biological fair value adjustments US$'million	2014 Total US$'million
Other comprehensive expense for the year, net of tax				**(268)**			(320)
Total comprehensive income for the year				**727**			652
Profit for the year attributable to							
– owners of the Company				**786**			766
– non-controlling interests				**209**			206
				995			972
Total comprehensive income for the year attributable to							
– owners of the Company				**558**			470
– non-controlling interests				**169**			182
				727			652
Earnings per share	16						
– Basic (US$ cents)				**5.75**			6.44
– Diluted (US$ cents)				**5.50**			6.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2015

	Notes	2015 US$'million	2014 US$'million
Non-current assets			
Property, plant and equipment	17	**4,674**	4,582
Prepaid lease payments	18	**215**	228
Biological assets	19	**200**	220
Goodwill	20	**1,801**	1,815
Intangible assets	21	**1,715**	1,746
Interests in associates	22	**63**	392
Interests in joint ventures	23	**122**	147
Other receivables	26	**45**	40
Pledged bank deposits	29	**9**	9
Deferred tax assets	34	**146**	88
Other non-current assets		**98**	79
		9,088	9,346
Current assets			
Biological assets	19	**865**	1,014
Inventories	24	**1,748**	1,900
Trade and bills receivables	25	**725**	845
Prepayments, deposits and other receivables	26	**231**	263
Prepaid lease payments	18	**5**	5
Taxation recoverable		**88**	65
Available-for-sale investments	27	**397**	209
Derivatives financial assets	28	**–**	73
Pledged bank deposits	29	**17**	22
Bank balances and cash	29	**1,137**	978
		5,213	5,374
Current liabilities			
Trade and bills payables	30	**812**	850
Accrued expenses and other payables	31	**1,371**	1,457
Taxation payable		**44**	44
Derivatives financial liabilities	28	**26**	52
Borrowings	33	**594**	699
Bank overdrafts	33	**12**	20
		2,859	3,122
Net current assets		**2,354**	2,252
Total assets less current liabilities		**11,442**	11,598

	Notes	2015 US$'million	2014 US$'million
Non-current liabilities			
Borrowings	33	**3,308**	3,951
Other payables	31	**149**	140
Obligations under finance leases	32	**23**	24
Deferred tax liabilities	34	**810**	838
Deferred revenue	35	**9**	6
Pension liability and other retirement benefits	36	**440**	589
		4,739	5,548
Net assets		**6,703**	6,050
Capital and reserves			
Share capital	37	**1**	1
Reserves		**5,762**	5,129
Equity attributable to owners of the Company		**5,763**	5,130
Non-controlling interests		**940**	920
Total equity		**6,703**	6,050

The consolidated financial statements on pages 78 to 184 were approved and authorised for issue by the Board of Directors on March 29, 2016 and are signed on its behalf by:

Mr. Wan Long
Director

Mr. Guo Lijun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Attributable to owners of the Company									
	Share capital US$'million	Share premium US$'million	Capital reserve US$'million (Note (a))	Translation reserve US$'million	Other reserve US$'million (Note 46)	*China statutory reserve US$'million (Note (b))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total US$'million
At January 1, 2014	1	581	(55)	258	674	170	646	2,275	863	3,138
Profit for the year	–	–	–	–	–	–	766	766	206	972
Exchange differences arising on translation of foreign operations	–	–	–	(207)	–	–	–	(207)	(24)	(231)
Remeasurement on defined benefit pension plans	–	–	–	–	(118)	–	–	(118)	–	(118)
Fair value change in cash flow hedge	–	–	–	–	29	–	–	29	–	29
Total comprehensive income for the year	–	–	–	(207)	(89)	–	766	470	182	652
Issue of shares	–[+]	2,361	–	–	–	–	–	2,361	–	2,361
Transaction cost attributable to issue of shares	–	(40)	–	–	–	–	–	(40)	–	(40)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(145)	(145)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	6	6
Share-based payments	–	–	–	–	64	–	–	64	14	78
Transfers	–	–	–	–	–	30	(30)	–	–	–
	–[+]	2,321	–	–	64	30	(30)	2,385	(125)	2,260
At December 31, 2014	1	2,902	(55)	51	649	200	1,382	5,130	920	6,050
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**786**	**786**	**209**	**995**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(205)**	**–**	**–**	**–**	**(205)**	**(40)**	**(245)**
Reclassification adjustment on translation reserve released on disposal of interest in an associate	**–**	**–**	**–**	**36**	**–**	**–**	**–**	**36**	**–**	**36**
Remeasurement on defined benefit pension plans	**–**	**–**	**–**	**–**	**(12)**	**–**	**–**	**(12)**	**–**	**(12)**
Fair value change in cash flow hedge	**–**	**–**	**–**	**–**	**(47)**	**–**	**–**	**(47)**	**–**	**(47)**
Total comprehensive income for the year	**–**	**–**	**–**	**(169)**	**(59)**	**–**	**786**	**558**	**169**	**727**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(162)**	**(162)**
Capital contribution by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**5**
Share-based payments	**–**	**–**	**–**	**–**	**75**	**–**	**–**	**75**	**8**	**83**
Transfers	**–**	**–**	**–**	**–**	**–**	**29**	**(29)**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**75**	**29**	**(29)**	**75**	**(149)**	**(74)**
At December 31, 2015	**1**	**2,902**	**(55)**	**(118)**	**665**	**229**	**2,139**	**5,763**	**940**	**6,703**

+ Less than US$1 million.

* China represents Mainland China.

Notes:

a. Capital reserve

Capital reserve represents the difference between the amounts by which the non-controlling interests are adjusted for the change in the Group's ownership interests in existing subsidiaries and the fair value of the consideration paid or received.

b. China statutory reserve

Pursuant to the relevant China regulations and the articles of association of the companies within the Group, each of them is required to transfer 10% of its profit, as determined under the China accounting regulations, to the statutory surplus reserve until the reserve aggregates to 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

The statutory surplus reserve shall only be used to make good previous year's losses or to increase the relevant company's capital. Upon approval by a resolution of shareholders' general meeting, each of the relevant companies may convert its statutory surplus reserve into capital, provided the balance of the reserve after such issue is not less than 25% of the registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	Note	2015 US$'million	2014 US$'million
Operating activities			
Profit before taxation		**1,302**	1,420
Adjustments for:			
Interest income		**(12)**	(18)
Finance costs		**219**	371
Share of losses (profits) of associates		**1**	(18)
Share of profits of joint ventures		**(15)**	(45)
Depreciation of property, plant and equipment		**384**	353
Loss on disposal of property, plant and equipment		**10**	5
Amortisation of intangible assets		**7**	6
Gain on disposal of an associate		**(1)**	–
Gain on maturity of available-for-sale investments		**(28)**	(24)
Release of prepaid lease payments		**5**	8
Write-down of inventories		**16**	3
Loss (gain) arising from changes in fair value less costs to sell of biological assets		**35**	(92)
Impairment loss on property, plant and equipment		**4**	2
Allowances on trade receivables		**–+**	4
Share-based payments		**83**	78
Operating cash flows before movements in working capital		**2,010**	2,053
Decrease in biological assets		**114**	161
Decrease (increase) in inventories		**105**	(141)
Decrease in trade, bills and other receivables		**117**	79
(Decrease) increase in trade, bills and other payables		**(145)**	128
Cash from operations		**2,201**	2,280
Taxation paid		**(373)**	(398)
Interest paid		**(215)**	(322)
Net cash from operating activities		**1,613**	1,560
Investing activities			
Interest received		**7**	11
Dividends received from associates		**1**	3
Dividends received from joint ventures		**15**	–
Purchase of property, plant and equipment		**(735)**	(699)
Proceeds from disposal of property, plant and equipment		**9**	11
Net proceeds from disposal of an associate	15	**354**	–
Prepaid lease payments made		**(2)**	(34)
Net cash outflow on acquisition of business		**–**	(11)
Purchase of available-for-sale investments		**(2,542)**	(2,304)
Proceeds from maturity of available-for-sale investments		**2,376**	2,266
Placement of pledged bank deposits		**(33)**	(30)
Withdrawal of pledged bank deposits		**36**	66
Net cash used in investing activities		**(514)**	(721)

+ Less than US$1 million.

	Note	2015 US$'million	2014 US$'million
Financing activities			
Dividends paid to non-controlling interests		**(162)**	(191)
Proceeds from issue of shares, net of transaction costs		**–**	2,284
Proceeds from borrowings, net of transaction costs		**2,347**	2,689
Repayment of borrowings		**(3,091)**	(5,440)
Capital contributed by non-controlling interests		**5**	6
Net cash used in financing activities		**(901)**	(652)
Net increase in cash and cash equivalents		**198**	187
Effect of foreign exchange rate changes		**(31)**	(28)
Cash and cash equivalents at January 1		**958**	799
Cash and cash equivalents at December 31		**1,125**	958
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**1,137**	978
Bank overdrafts		**(12)**	(20)
		1,125	958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. General

WH Group Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. Its immediate holding company is Heroic Zone Investments Limited ("Heroic Zone") which is incorporated in the British Virgin Islands while its ultimate holding company is Rise Grand Group Limited, also incorporated in the British Virgin Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on August 5, 2014.

The address of the registered office of the Company and the address of its principal place of business are disclosed in the section headed "Corporate Information" in the annual report.

The Company acts as an investment holding company. The consolidated financial statements of the Company for the year ended December 31, 2015 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates and interests in joint ventures. The Group is primarily involved in hog production, production and sales of packaged meats and fresh pork. The principal activities of its principal subsidiaries are set out in note 48.

The functional currency of the Company is United States Dollar ("US$"), as the majority of the Group's revenue is generated in US$, which is the currency of the primary economic environment in which the Group's major operating subsidiaries operate.

2. Application of New and Revised International Financial Reporting Standard ("IFRSs")

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time in the current year:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Asset for Unrealised Losses[6]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[4]

1 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after a date to be determined.
6 Effective for annual periods beginning on or after January 1, 2017.

2. Application of New and Revised International Financial Reporting Standard ("IFRSs") (Continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. Application of New and Revised International Financial Reporting Standard ("IFRSs") (Continued)

IFRS 9 Financial Instruments (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company do not anticipate that the application of IFRS 15 in the future will have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

2. Application of New and Revised International Financial Reporting Standard ("IFRSs") (Continued)

Annual Improvements to IFRSs 2012–2014 Cycle

The *Annual Improvements to IFRSs 2012–2014 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after January 1, 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 *Interim Financial Reporting*.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs. IFRSs were also fully converged by Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended December 31, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended December 31, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets which are measured at fair value less costs to sell and certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements are determined on such a basis, except for share-based payments transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

3. Significant Accounting Policies (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. Significant Accounting Policies (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, with the corresponding gain or loss being recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs") (or a groups of CGU), which are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in the reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. Significant Accounting Policies (Continued)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates or joint ventures used for equity method accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Dividend income from investments is recognised when the owners' rights to receive payment have been established (provided that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income is recognised in accordance with the Group's accounting policy for operating leases (see the accounting policy below).

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

3. Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on the following basis:

Buildings	10 to 40 years
Plants, machinery and equipment	5 to 25 years
Motor vehicles	3 to 10 years

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Biological assets

Biological assets represent live hogs and poultry, which fall into five categories: suckling hogs, nursery hogs, finisher hogs, broiler and breeding stock (hogs and poultry) are measured on initial recognition and at each end of the reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

The agricultural produce (i.e. carcass) harvested from the biological assets are measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 *Inventories*. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – Research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Cost is calculated using the weighted-average method.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Significant Accounting Policies (Continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income during the year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL and loans and receivables. The unlisted equity securities are classified as available-for-sale financial assets.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, loan and other receivables, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and bills receivables and other receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, bank overdrafts, trade and other payables, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense during the year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges and cash flow hedges.

At the inception of a hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedge risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derivative financial instruments (Continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains or losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity (other reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognise a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognise in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments arrangements

The awarded shares granted are provided by the Company. The Group receives services but has no obligation to settle the share-based payments transaction. The Group recognised the expense in compliance with IFRS 2.

For grants of shares that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of shares granted at the date of grant and is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (other reserve). For grants of shares that vest immediately at the date of grant, the fair value of the awarded shares is recognised immediately in profit or loss.

At the end of the reporting period, the Group revises its estimates of the number of granted shares that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserve.

When share options are exercised, the amount previously recognised in other reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in other reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items are recognised in profit or loss in the period in which they arise.

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

For the purposes of presenting these consolidated financial statements, the foreign currencies denominated assets and liabilities of the Group are translated into the presentation currency of the Group (US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

The change of functional currency is applied prospectively from the date of change in accordance with IAS 21 "The Effect of Changes in Foreign Exchange Rates". At the date of the change, all items were translated into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as historical cost.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. Significant Accounting Policies (Continued)

Retirement benefit costs and termination benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in other reserve and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss as employee benefits expense.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds and reductions in future contributions to the plan.

The employees of the Group in China and Hong Kong are members of state-managed retirement benefit schemes and members of the Mandatory Provident Fund Scheme ("MPF") respectively, the obligations of the Group under which are equivalent to those arising in a defined contribution retirement benefit plan. Contributions to state-managed retirement benefit schemes and MPF are recognised as an expense when employees have rendered service entitling them to the contributions.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

4. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Biological assets

The Group's management determines the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. This determination involved the use of significant judgement. If the actual results differ with the original estimates made by the management, such differences from the original estimates will impact the fair value change recognised in profit or loss in the period in which the estimates change and in future periods. The carrying amount of biological assets is US$1,065 million as at December 31, 2015 (2014: US$1,234 million) (see note 19).

Goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated. The recoverable amount of CGUs at the end of each reporting period is based on the higher of the fair value less cost of disposal and value in use. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill is US$1,801 million as at December 31, 2015 (2014: US$1,815 million). Details of the recoverable amount calculation are disclosed in note 20.

Intangible assets

In accounting for intangible assets, management of the Group considers the potential impairment based on the recoverable amount. The intangible assets with finite useful lives are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable; the intangible asset with an indefinite useful life are reviewed for impairment annually, irrespective of whether there is any indication that it may be impaired. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology, and operating or cash flow losses associated with the intangible assets.

Determining whether intangible assets is impaired requires an estimation of the recoverable amount of the CGUs to which intangible assets has been allocated. The recoverable amount of CGUs at the end of each reporting period is based on the higher of the fair value less cost of disposal and value in use. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of intangible assets is US$1,715 million as at December 31, 2015 (2014: US$1,746 million) (see note 21).

4. Key Sources of Estimation Uncertainty (Continued)

Inventories

Inventories are stated at the lower of cost or the deemed cost for agriculture produce harvested from biological assets and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Management of the Group periodically reviews inventories for slow moving, obsolescence or declines in market value. This review requires them to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventory, the Group will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales. If the net realisable value is less than the carrying amount, write-down on inventories may be required. The carrying amount of inventories is US$1,748 million as at December 31, 2015 (2014: US$1,900 million) (see note 24).

Trade and bills receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and bills receivables. In determining whether there is objective evidence of allowances for bad and doubtful debts, the Group takes into consideration the collectability, aged analysis of trade and bills receivables and estimation of future cash flows. The amount of the allowances for bad and doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, an allowance for bad and doubtful debts may arise. As at December 31, 2015, the carrying amount of trade and bills receivables is US$725 million which is after allowances for bad and doubtful debts (2014: US$845 million) (see note 25).

Retirement benefit obligations

Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets, expected salary increases, mortality rates and health care trend rates. The discount rates assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. The expected returns on plan asset assumptions are determined on a uniform methodology, considering long-term historical returns and assets allocations. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in retirement benefit obligations. During the year ended December 31, 2015, actuarial losses after tax effect amounting to US$12 million are recognised directly in equity in the period in which they occur (2014: US$118 million) (see note 36).

Share-based payments transactions

The Group measures the fair value of shares granted by the Company under pre-IPO share option scheme (as defined in note 38(c)) in July 2014. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation methodology. This estimate requires determining the most appropriate inputs to the valuation methodology. The Group recognised share-based payments of US$83 million for the pre-IPO share option for the year ended December 31, 2015 (2014: US$36 million).

5. Capital Risk Management and Financial Instruments

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the years.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 33, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Categories of financial instruments

	2015 US$'million	2014 US$'million
THE GROUP		
Financial assets		
Available-for-sale investments	397	209
Derivatives financial assets	–	73
Other non-current assets	71	69
	468	351
Loans and receivables:		
Trade, bills and other receivables	801	901
Pledged bank deposits	26	31
Bank balances and cash	1,137	978
	1,964	1,910
Financial liabilities		
At amortised costs:		
Trade, bills and other payables	1,277	1,496
Borrowings (fixed and floating rates)	3,902	4,650
Bank overdrafts	12	20
	5,191	6,166
Derivatives financial liabilities	26	52

5. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies

The Group's major financial instruments include pledged bank deposits, bank balances and cash, available-for-sale investments, trade, bills and other receivables, other non-current assets, trade, bills and other payables, borrowings and bank overdrafts. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, liquidity risk and other price risk. The policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

Certain group entities have certain foreign currency sales, purchases, bank balances and cash and borrowings denominated in US$ and Euro ("EUR"), which expose the Group to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follow:

	2015 US$'million	2014 US$'million
Assets		
US$		
Bank balances and cash	6	9
Trade, bills and other receivables	6	2
EUR		
Bank balances and cash	5	1
Trade, bills and other receivables	23	21

5. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

	2015 US$'million	2014 US$'million
Liabilities		
US$		
Trade, bills and other payables	13	17
Borrowings	163	380
EUR		
Trade, bills and other payables	14	16
Borrowings	2	2

5. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

Sensitivity analysis

The Group is mainly exposed to the effect of US$ against the functional currencies of respective group entities. The directors of the Company consider that the risk exposed to effect of EUR is not material.

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in US$ against the functional currencies of respective group entities which represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to the functional currencies of respective group entities at year end for a 5% (2014: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit where US$ strengthens 5% (2014: 5%) against the relevant currency. For a 5% (2014: 5%) weakening of US$ against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative (positive).

	2015 US$'million	2014 US$'million
US$ impact	**(5)**	(14)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the respective year.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its available-for-sale investments and fixed-rate borrowings (see notes 27 and 33 respectively for details). The Group currently does not enter into any derivative contracts to hedge its exposure to changes in fair values of the available-for-sale investments and fixed-rate borrowings. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to floating rates bank balances, borrowings and bank overdrafts (see notes 29 and 33 respectively for details). The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rates borrowings, bank overdrafts and bank balances, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 27 basis points increase or decrease is used for China operation and a 25 basis points increase or decrease is used for operations outside China which represents management's assessment of the reasonably possible change in interest rates.

5. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Market risk (Continued)

Interest rate risk management (Continued)

Sensitivity analysis (Continued)

If interest rates decreased by 27 basis points in China or 25 basis points outside China and all other variables were held constant, the potential effect on post-tax profit is as follow:

	2015 US$'million	2014 US$'million
Increase in post-tax profit	–+	2

There would be an equal and opposite impact on the post-tax profit where they had 27 basis point in China or 25 basis points outside China higher.

Credit risk

The Group's credit risk is primarily attributable to its trade, bills and other receivables, available-for-sale investments, bank balances and pledged bank deposits. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade, bills and other receivables, with exposure spread over a large number of counterparties and customers.

The credit risk on available-for-sale investments, bank deposits and loan receivables is limited because the counterparties are financial institutions with good reputation in China and the United States of America ("U.S.").

+ Less than US$1 million

5. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the companies comprising the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2015, the Group has available unutilised banking facilities of approximately US$2,505 million (2014: US$2,003 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. The amount of undiscounted cash flows disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

5. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Liquidity risk management (Continued)

	Weighted average effective interest rate %	On demand and 6 months or less US$'million	6–12 months US$'million	1–2 years US$'million	2–5 years US$'million	More than 5 years US$'million	Total undiscounted cash flows US$'million	Total carrying amount US$'million
At December 31, 2015								
Trade and bills payables	–	810	2	–	–	–	812	812
Other payables	–	465	–	–	–	–	465	465
Obligations under finance lease	0.30	–+	1	1	3	19	24	24
Bank overdrafts	4.35	12	–	–	–	–	12	12
Fixed-rates borrowings	5.05	139	1	507	716	1,661	3,024	2,456
Floating-rates borrowings	2.77	112	388	342	715	–	1,557	1,446
		1,538	392	850	1,434	1,680	5,894	5,215
Derivative financial liabilities – net settlement		26	–	–	–	–	26	26
At December 31, 2014								
Trade and bills payables	–	844	6	–	–	–	850	850
Other payables	–	646	–	–	–	–	646	646
Obligations under finance lease	0.30	–+	1	1	3	20	25	25
Bank overdrafts	5.60	20	–	–	–	–	20	20
Fixed-rates borrowings	5.50	2	3	485	1,105	1,498	3,093	2,899
Floating-rates borrowings	3.09	70	224	273	1,313	–	1,880	1,751
		1,582	234	759	2,421	1,518	6,514	6,191
Derivative financial liabilities – net settlement		52	–+	–+	–+	–	52	52

+ Less than US$1 million.

5. Capital Risk Management and Financial Instruments (Continued)

Financial risk management objective and policies (Continued)

Other price risk

The Group is exposed to other price risk through its derivative instruments. The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date. If the prices of these future contracts had been 5% higher/lower as at December 31, 2015, the other reserve would decrease/increase by less than US$1 million (2014: US$1 million).

Fair value measurement

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2015			
	Level 1 US$'million	Level 2 US$'million	Level 3 US$'million	Total US$'million
Available-for-sale investments	–	397	–	397
Other non-current assets	–	71	–	71
	–	468	–	468
Derivatives financial liabilities	7	19	–	26

5. Capital Risk Management and Financial Instruments (Continued)

Fair value measurement (Continued)

Fair value measurements recognised in the consolidated statements of financial position (Continued)

	2014			
	Level 1 US$'million	Level 2 US$'million	Level 3 US$'million	Total US$'million
Derivatives financial assets	69	4	–	73
Available-for-sale investments	–	209	–	209
Other non-current assets	16	53	–	69
	85	266	–	351
Derivatives financial liabilities	30	22	–	52

The fair values of derivative financial assets/liabilities and available-for-sale investments are determined by quoted prices in active markets (level 1) or using income approach based on discounted cash flow analysis on the expected interest rates (level 2), as appropriate.

Other non-current assets includes insurance contracts which are valued at their cash surrender value using the daily asset unit value which is based on the quoted market price of the underlying securities and classified within Level 2.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Financial assets and financial liabilities subject to offsetting enforceable master netting arrangement and similar agreements

The disclosure set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group currently has a legally enforceable right to set off the derivative financial instruments and the Group intends to settle these balances on a net basis.

5. Capital Risk Management and Financial Instruments (Continued)

Financial assets and financial liabilities subject to offsetting to offsetting, enforceable master netting arrangement and similar agreements (Continued)

As at 31 December 2015

	Gross amounts of recognised financial assets US$'million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million	Net amounts of financial assets presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position		Net amount US$'million
				Financial collateral US$'million	Cash collateral received US$'million	
Derivative under hedge accounting	12	(12)	–	–	–	–
Derivative not under hedge accounting	11	(11)	–	–	–	–
Total	23	(23)	–	–	–	–

As at 31 December 2015

	Gross amounts of recognised financial liabilities US$'million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million	Related amounts not set off in the consolidated statement of financial position		Net amount US$'million
				Financial collateral US$'million	Cash collateral pledged US$'million	
Derivative under hedge accounting	33	(12)	21	–	–	21
Derivative not under hedge accounting	16	(11)	5	–	–	5
Total	49	(23)	26	–	–	26

6. Turnover and Segment Information

Turnover represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers, net of sales tax during the year, and is as follows:

	2015 US$'million	2014 US$'million (restated)
Sales of packaged meats	**11,240**	11,880
Sales of fresh pork	**8,591**	9,364
Hog production	**990**	587
Others	**388**	412
	21,209	22,243

Segment information

The Group determines its operating segments based on the reports reviewed by the executive directors who are also the chief operation decision makers that are used to make strategic decisions. The Group's reportable segments, which are also the operating segments, are classified as (i) packaged meats, (ii) fresh pork, (iii) hog production and (iv) others which further analysed based on their location of the operations. The details of the Group's reportable segments are as follows:

(i) Packaged meats – represents production, wholesale and retail sales of low temperature and high temperature meat products.

(ii) Fresh pork – represents slaughtering, wholesale and retail sales of fresh and frozen meat.

(iii) Hog production – represents hog farming.

(iv) Others – represents slaughtering and sales of poultry, sales of ancillary products and services such as provision of logistics services, sales of flavouring ingredients, internally-produced packaging materials, imported meat products as well as retail business and biopharmaceuticals, retail of meat related products and expenses incurred by the Group.

Each reportable segment derives its turnover from the sales of products and provision of services based on the location of operations. They are managed separately because each segment requires different production and marketing strategies.

Segments results represent the profit earned by each segment before biological fair value adjustments without allocation of other income not attributed to the respective segment, other gains and losses, finance costs and share of (losses) profits of associates and joint ventures. This is the measure reported to the chief operation decision makers for the purposes of resources allocation and assessment of segment performance.

Inter-segment sales were charged at cost plus margin basis.

6. Turnover and Segment Information (Continued)

Segment information (Continued)

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended December 31, 2015

	Packaged meats US$'million	Fresh pork US$'million	Hog production US$'million	Others US$'million	Total US$'million
China					
Gross segment revenue	3,559	3,881	86	366	7,892
Less: Inter-segment and inter-location sales	–	(537)	(77)	(191)	(805)
Net external sales	3,559	3,344	9	175	7,087
Reportable segment profit (loss)	782	80	18	(69)	811
U.S.					
Gross segment revenue	7,089	7,037	3,069	–	17,195
Less: Inter-segment and inter-location sales	(1)	(2,320)	(2,129)	–	(4,450)
Net external sales	7,088	4,717	940	–	12,745
Reportable segment profit (loss)	668	168	12	(152)	696
Others					
Gross segment revenue	637	844	447	278	2,206
Less: Inter-segment and inter-location sales	(44)	(314)	(406)	(65)	(829)
Net external sales	593	530	41	213	1,377
Reportable segment profit (loss)	49	(22)	24	(1)	50
Total					
Gross segment revenue	11,285	11,762	3,602	644	27,293
Less: Inter-location sales	(45)	(315)	–	–	(360)
Segment revenue	11,240	11,447	3,602	644	26,933
Less: Inter-segment sales	–	(2,856)	(2,612)	(256)	(5,724)
Net external sales	11,240	8,591	990	388	21,209
Reportable segment profit (loss)	1,499	226	54	(222)	1,557
Net unallocated income					77
Biological fair value adjustments					(127)
Finance costs					(219)
Share of losses of associates					(1)
Share of profits of joint ventures					15
Profit before taxation					1,302

6. Turnover and Segment Information (Continued)

Segment information (Continued)

For the year ended December 31, 2014

	Packaged meats US$'million (restated)	Fresh pork US$'million (restated)	Hog production US$'million	Others US$'million (restated)	Total US$'million (restated)
China					
Gross segment revenue	4,043	3,760	72	346	8,221
Less: Inter-segment and inter-location sales	–	(592)	(65)	(169)	(826)
Net external sales	4,043	3,168	7	177	7,395
Reportable segment profit (loss)	695	147	4	(73)	773
U.S.					
Gross segment revenue	7,173	8,202	3,385	–	18,760
Less: Inter-segment and inter-location sales	–	(2,662)	(2,863)	–	(5,525)
Net external sales	7,173	5,540	522	–	13,235
Reportable segment profit (loss)	450	90	337	(129)	748
Others					
Gross segment revenue	705	1,042	561	307	2,615
Less: Inter-segment and inter-location sales	(41)	(386)	(503)	(72)	(1,002)
Net external sales	664	656	58	235	1,613
Reportable segment profit (loss)	33	(14)	71	3	93
Total					
Gross segment revenue	11,921	13,004	4,018	653	29,596
Less: Inter-location sales	(41)	(183)	–	–	(224)
Segment revenue	11,880	12,821	4,018	653	29,372
Less: Inter-segment sales	–	(3,457)	(3,431)	(241)	(7,129)
Net external sales	11,880	9,364	587	412	22,243
Reportable segment profit (loss)	1,178	223	412	(199)	1,614
Net unallocated income					69
Biological fair value adjustments					45
Finance costs					(371)
Share of profits of associates					18
Share of profits of joint ventures					45
Profit before taxation					1,420

6. Turnover and Segment Information (Continued)

Segment information (Continued)

No customers are individually accounted for more than 10% of the total turnover during both years.

Subsequent to the disclosure of the results for the year ended December 31, 2014, management has changed their presentation of the segment information when provided to the Board of Directors, in order to present a more meaningful representation of its business operations, consistent with the Group's long-term business strategy, and with how performance is assessed by the Board of directors.

Certain amounts of segment revenue, inter-segment sales and reportable segment profit (loss) have been restated for the year ended December 31, 2014, resulting in the reclassification of 1) part of the total net external sales from Fresh pork to Packaged meat segment; 2) China's and subsequently the total reportable segment profit amongst the Packaged meats, Fresh pork and Others segments, in order to conform with the presentation adopted in the Group's consolidated financial statements for the year ended December 31, 2015. Information on inter-location sales has also been added to the year ended December 31, 2014 in order to conform with the presentation for the year ended December 31, 2015.

No segment assets and liabilities are disclosed as they are not regularly provided to the chief operating decision makers.

No further analysis is presented for certain items included or excluded in the measure of segment result as such information is not regularly provided to the chief operating decision makers.

Geographical information

Information about the Group's revenue presented above is based on the geographical locations of operation.

Information about the Group's non-current assets is presented below based on the geographical locations of operation.

	2015 US$'million	2014 US$'million
Non-current assets		
– China	**2,915**	2,850
– U.S.	**4,877**	5,254
– Others	**1,025**	1,036
	8,817	9,140

7. Other Income

	2015 US$'million	2014 US$'million
Government subsidy directly credited to income	**55**	55
Interest income	**12**	18
Income on sales of raw materials	**10**	15
Rental income	**11**	4
Others	**8**	10
	96	102

8. Other Gains and Losses

	2015 US$'million	2014 US$'million
Gain on maturity of available-for-sale investments	**28**	24
Loss on disposal of property, plant and equipment	**(10)**	(5)
Net exchange loss	**(26)**	(8)
Others	**9**	3
	1	14

9. Other Expenses

	2015 US$'million	2014 US$'million
Share-based payments	**(83)**	(78)
Listing expenses	**–**	(31)
Donations	**–+**	–+
Others	**(1)**	(1)
	(84)	(110)

10. Finance Costs

	2015 US$'million	2014 US$'million
Amortisation of transaction costs	**(8)**	(72)
Interests on senior unsecured notes	**(136)**	(135)
Interests on medium-term unsecured notes	**(2)**	–
Interests on bank and other borrowings	**(73)**	(165)
Less: Amounts capitalised in the cost of qualifying assets	**–+**	1
	(219)	(371)

\+ Less than US$1 million.

11. Profit Before Taxation

	2015 US$'million	2014 US$'million
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
– audit services	5	4
– non-audit services	1	2
Depreciation of property, plant and equipment	384	353
Amortisation of intangible assets included in administrative expenses	7	6
Impairment loss on property, plant and equipment	4	2
Release of prepaid lease payments	5	8
Write-down of inventories included in cost of sales	16	3
Allowances on trade receivables	–+	4
Operating leases rentals in respect of rented premises	82	76
Research and development expenses	87	75
Staff costs	3,122	2,939
and after crediting:		
Gain on disposal of an associate	1	–
Gain on maturity of available-for-sale investments	28	24

The cost of sales represented the cost of inventories recognised in profit or loss during both years.

12. Directors' and Employees' Emoluments

Messrs. Wan Long, Guo Lijun and Zhang Taixi are the executive directors of the Company for the year ended December 31, 2015. On May 22, 2015 and December 31, 2015, Messrs. Yang Zhijun and C. Larry Pope resigned as directors of the Company respectively.

Messrs. Lee Kong Wai Conway, Huang Ming and Lau Jin Tin Don are the independent non-executive directors of the Company.

+ Less than US$1 million.

12. Directors' and Employees' Emoluments (Continued)

Directors' and chief executive's emoluments comprise remuneration paid or payables to the following directors, disclosed pursuant to the applicable Listing Rules and CO, which include the chief executive of the Company, by the Group in connection with the management of the affairs of the Group:

Name of director	Fees US$'million	Basic salaries and allowances US$'million	Performance bonus US$'million (Note (i))	Retention bonus US$'million	Share-based payments US$'million	Retirement benefit scheme contributions US$'million	Other payments US$'million	2015 Total US$'million
A) EXECUTIVE DIRECTORS								
Mr. Wan Long	–	2	–+	–	20	–	–	22
Mr. Guo Lijun	–	1	–+	–	5	–+	–	6
Mr. Yang Zhijun (resigned on May 22, 2015)	–	–	–	–	–	–	–	–
Mr. C. Larry Pope (resigned on December 31, 2015)	–	2	7	1	16	6	10	42
Mr. Zhang Taixi	–	–+	–+	–	5	–+	–	5
Sub-total	–	5	7	1	46	6	10	75
The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.								
B) NON-EXECUTIVE DIRECTORS								
Mr. Jiao Shuge	–	–	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–	–	–
The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.								
C) INDEPENDENT NON-EXECUTIVE DIRECTORS								
Mr. Lee Conway Kong Wai	–+	–	–	–	–	–	–	–+
Mr. Huang Ming	–+	–	–	–	–	–	–	–+
Mr. Lau Jin Tin Don	–+	–	–	–	–	–	–	–+
Sub-total	–+	–	–	–	–	–	–	–+
The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.								
Total for the year ended December 31, 2015								75

+ Less than US$1 million.

12. Directors' and Employees' Emoluments (Continued)

Name of director	Fees US$'million	Basic salaries and allowances US$'million	Performance bonus US$'million (Note (i))	Retention bonus US$'million	Shares-based payments US$'million	Retirement benefit scheme contributions US$'million	2014 Total US$'million
A) EXECUTIVE DIRECTORS							
Mr. Wan Long	–	2	–[+]	–	9	–	11
Mr. Guo Lijun	–	–[+]	–[+]	–	5	–	5
Mr. Yang Zhijun (resigned on May 22, 2015)	–	1	–	–	2	–[+]	3
Mr. C. Larry Pope (resigned on December 31, 2015)	–	4	9	1	3	6	23
Mr. Zhang Taixi	–	–[+]	–[+]	–	6	–[+]	6
Sub-total	–	7	9	1	25	6	48
The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.							
B) NON-EXECUTIVE DIRECTORS							
Mr. Jiao Shuge	–[+]	–	–	–	–	–	–[+]
Sub-total	–[+]	–	–	–	–	–	–[+]
The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.							
C) INDEPENDENT NON-EXECUTIVE DIRECTORS							
Mr. Lee Conway Kong Wai	–[+]	–	–	–	–	–	–[+]
Mr. Huang Ming	–[+]	–	–	–	–	–	–[+]
Mr. Lau Jin Tin Don	–[+]	–	–	–	–	–	–[+]
Sub-total	–[+]	–	–	–	–	–	–[+]
The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.							
Total for the year ended December 31, 2014							48

[+] Less than US$1 million.

12. Directors' and Employees' Emoluments (Continued)

Notes:

(i) Performance related incentive payments is recommended by the remuneration committee of the Company and is approved by the board of directors, with reference to the Group's operating results, individual performance and comparable market statistics.

(ii) No director nor the chief executive waived any emoluments in respect of the years ended December 31, 2015 and December 31, 2014.

(iii) Mr. Wan Long is also the Chief Executive for the years ended December 31, 2015 and December 31, 2014.

The five highest paid individuals for the year ended December 31, 2015 included two directors of the Company (2014: two), details of whose emoluments are set out above. The emoluments of the remaining three (2014: three) highest paid individuals during the year were as follows:

	2015 US$'million	2014 US$'million
Employees		
– basic salaries and allowances	**3**	2
– performance bonus	**10**	9
– retention bonus	**2**	3
– share-based payments	**2**	–+
– retirement benefits scheme contributions	**6**	9
	23	23

The emoluments of the remaining highest paid individuals were within the following bands:

	Number of employees	
	2015	2014
HK$47,500,001 to HK$48,000,000	**1**	–
HK$51,000,001 to HK$51,500,000	**–**	1
HK$55,000,000 to HK$55,500,000	**–**	1
HK$63,500,001 to HK$64,000,000	**1**	–
HK$65,000,001 to HK$65,500,000	**1**	–
HK$76,500,001 to HK$77,000,000	**–**	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

+ Less than US$1 million.

13. Taxation

	2015 US$'million	2014 US$'million
China Enterprise Income Tax	**(209)**	(183)
U.S. and other overseas income tax	**(130)**	(154)
Withholding tax	**(21)**	(26)
Deferred taxation	**53**	(85)
	(307)	(448)

Under the China law on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the China subsidiaries is 25% except for the following:

(i) According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company in primary processing for agriculture products are exempted from EIT.

(ii) Pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from various China subsidiaries of the Company engaging in projects of Animal-Husbandry and poultry feeding, are entitled to exemption from EIT during both years.

(iii) Pursuant to the related regulations in respect of the Notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2012] No. 58) jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, various China subsidiaries of the Company, are entitled to a preferential income tax rate of 15% during both years.

(iv) According to the Implementation Regulation of the EIT Law and Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new-tech Enterprises (Guo Shui Han [2009] No. 203), high-and-new-tech enterprises are levied enterprise income tax at 15%. Various China subsidiaries of the Company are entitled to enjoy a preferential income tax rate at 15% during both years.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui (2008) No. 1, only the profits earned by China subsidiaries prior to January 1, 2008, when distributed to foreign investors, can be grandfathered with the exemption from withholding tax. Whereas, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Implementation Rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% or reduced tax rate if tax treaty or arrangement applies. Under the relevant tax arrangement, withholding tax rate on dividend distribution to the qualifying Hong Kong resident companies is 5%. Deferred tax liability on the undistributed profits earned by the China subsidiaries have been accrued at the tax rate of 10% for the years ended December 31, 2008 and December 31, 2009 and at the tax rate of 5% starting from January 1, 2010 onwards.

13. Taxation (Continued)

The US income tax charge comprises federal income tax calculated at 35% and state income tax calculated at the rates ranging from 0% to 9.8% on the estimated assessable profits of the subsidiaries of the Company which were incorporated in U.S..

Other overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during both years.

The taxation charge for both years is reconciled to the profit before taxation as follows:

	2015		2014	
	US$'million	**%**	US$'million	%
Profit before taxation	**1,302**		1,420	
Tax at the applicable rates (Note)	**(370)**	**(28.4)**	(429)	(30.2)
Tax effect of share of profits of associates	**1**	**0.1**	5	0.3
Tax effect of share of profits of joint ventures	**–**	**–**	12	0.8
Tax effect of income that are not taxable in determining current year taxable profit	**39**	**3.0**	37	2.6
Tax effect of expenses that are not deductible in determining current year taxable profit	**(23)**	**(1.8)**	(41)	(2.9)
Tax effect of tax losses not recognised	**(1)**	**(0.1)**	(3)	(0.2)
Utilisation of tax losses not previously recognised	**11**	**0.8**	3	0.2
Effect of tax exemptions and preferential tax rates granted to China subsidiaries	**35**	**2.7**	35	2.5
Effect of tax exemptions and preferential tax rates granted to U.S. subsidiaries	**11**	**0.8**	7	0.5
Decrease (increase) in opening deferred tax liability resulting from increase in applicable tax rate	**1**	**0.1**	(2)	(0.1)
Withholding tax on undistributed earnings of subsidiaries	**(34)**	**(2.6)**	(22)	(1.6)
Withholding tax on undistributed earnings of subsidiaries previously not recognised	**–**	**–**	(2)	(0.1)
(Reversal of) withholding tax on interest income	**30**	**2.3**	(42)	(3.0)
Underprovision in prior years	**(7)**	**(0.5)**	(6)	(0.4)
Tax charge and effective tax rate for the year	**(307)**	**(23.6)**	(448)	(31.6)

Note: As the Group's revenue is generated in several jurisdictions, the directors of the Company consider it is more meaningful to aggregate the separate reconciliations prepared using the domestic rate in each individual jurisdiction.

Details of recognised and unprovided deferred taxation are set out in note 34.

14. Dividends

The Board of Directors recommend the payment of a final dividend of HK$0.125 per share for the year ended December 31, 2015 (2014: Nil).

15. Disposal of an Associate

On June 3, 2015, SFDS Global Holdings B.V. ("SFDS Global",) Cold Field Investments LLC. ("Cold Field") and Smithfield Insurance Co. Ltd. ("Smithfield Insurance") (each an indirect wholly owned subsidiary of the Company through which the Company held its interest in Campofrio Food Group, S.A. ("Campofrio")) entered into the Share Purchase Agreement with Alfa, S.A.B. de C.V. ("Alfa"), an independent third party to the Company ("S&P Agreement"). Pursuant to the S&P Agreement, SFDS Global, Cold Field and Smithfield Insurance agreed to sell and Alfa agreed to purchase an aggregate of 37,817,172 shares, representing approximately 37% of the entire issued share capital, of Sigma & WH Food Europe, S.L., ("Sigma & WH Food", the immediate holding company of Campofrio), for an aggregate cash consideration of US$354,000,000. The disposal was completed on June 3, 2015, the Group does not retain any interest in Campofrio and Campofrio ceased to be an associate of the Group. The gain on the disposal is analysed as follows:

	US$'million
Gain on disposal:	
Consideration received	354
Carrying amount of investment disposed of	(299)
Cumulative exchange differences in respect of the net assets of Sigma & WH Food reclassified from equity to profit or loss	(54)
Gain on disposal	1
Net cash inflow arising on disposal:	
Cash consideration received	354
Less: transaction costs paid	–+
	354

Upon disposal of the associate, the tax effect of US$18 million previously provided on the exchange difference and recognised in equity was released.

+ Less than US$1 million.

16. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2015 US$'million	2014 US$'million
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**786**	766
	million Shares	million Shares
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	**13,665.96**	11,904.31
Effect of dilutive potential ordinary shares:		
Incentive shares	**631.58**	631.58
Over-allotment options	**–**	0.01
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,297.54**	12,535.90

Notes:

The number of ordinary shares for basic earnings per share excludes shares held by Chang Yun Holdings Limited ("Chang Yun") and High Zenith Limited ("High Zenith") under the Company's share incentive schemes (see note 38(a) and 38(b)).

The computation of diluted earnings per share for the year ended December 31, 2015 does not assume the exercise of the Company's share options (see note 38(c)) because the exercise price of those options was higher than the average market price for shares.

17. Property, Plant and Equipment

	Freehold land US$'million	Buildings US$'million	Motor vehicles US$'million	Plant, machinery and equipment US$'million	Construction in progress US$'million	Total US$'million
COST						
At January 1, 2014	497	1,790	146	1,983	189	4,605
Currency realignment	(9)	(48)	(3)	(42)	(5)	(107)
Additions	–	40	5	186	687	918
Arising on acquisition of subsidiaries	1	4	–	3	–	8
Transfer	–	280	3	341	(624)	–
Eliminated on disposals	(3)	(15)	(3)	(20)	–	(41)
At December 31, 2014	486	2,051	148	2,451	247	5,383
Currency realignment	(8)	(72)	(4)	(70)	(5)	(159)
Additions	–	–	3	21	603	627
Transfer	2	146	7	408	(563)	–
Eliminated on disposals	(1)	(5)	(8)	(33)	–	(47)
At December 31, 2015	**479**	**2,120**	**146**	**2,777**	**282**	**5,804**
DEPRECIATION AND IMPAIRMENT						
At January 1, 2014	–	163	43	267	–	473
Currency realignment	–	(1)	1	(2)	–	(2)
Provided for the year	–	92	18	243	–	353
Impairment loss recognised	–	2	–	–	–	2
Eliminated on disposals	–	(13)	(3)	(9)	–	(25)
At December 31, 2014	–	243	59	499	–	801
Currency realignment	–	(10)	(2)	(19)	–	(31)
Provided for the year	–	97	19	268	–	384
Impairment loss recognised	–	–	–	4	–	4
Eliminated on disposals	–	(3)	(7)	(18)	–	(28)
At December 31, 2015	**–**	**327**	**69**	**734**	**–**	**1,130**
CARRYING VALUES						
At December 31, 2015	**479**	**1,793**	**77**	**2,043**	**282**	**4,674**
At December 31, 2014	486	1,808	89	1,952	247	4,582

17. Property, Plant and Equipment (Continued)

Certain of the Group's buildings of US$987 million as at December 31, 2015 (2014: US$1,007 million) are erected on land held in China while the rest are erected on freehold land situated in U.S..

As at December 31, 2015, the application of obtaining the ownership certificates of buildings with an aggregate carrying value of approximately US$336 million (2014: US$273 million) are still in process.

Included in the carrying value of property, plant and equipment as at December 31, 2015, there was an amount of US$24 million (2014: US$25 million) in respect of assets held under finance leases.

Property, plant and equipment with carrying amount of approximately US$4 million has been fully impaired and recognised in profit or loss for the year ended December 31, 2015 (2014: US$2 million).

18. Prepaid Lease Payments

	2015 US$'million	2014 US$'million
COST		
At January 1	264	236
Currency realignment	(11)	(6)
Additions	2	34
At December 31	255	264
AMORTISATION		
At January 1	31	23
Currency realignment	(1)	–+
Released for the year	5	8
At December 31	35	31
CARRYING VALUE		
At December 31	220	233
Analysed for reporting purposes as:		
Current	5	5
Non-current	215	228
	220	233

The amount mainly represents the prepayment of rentals for land use rights situated in China for unexpired lease periods between 14 and 50 years.

+ Less than US$1 million.

19. Biological Assets

Nature of the Group's agricultural activities

The biological assets of the Group are live hogs and poultry at various stages of development, including suckling hogs, nursery hogs and finishing hogs and broiler which are classified as current assets. Biological assets also include breeding stock (hogs and poultry), which are used to produce future live hogs and broiler, are classified as non-current assets of the Group. The quantity of live hogs, broiler and breeding stock owned by the Group at the end of each reporting period are as follows:

	2015 Head ('000)	2014 Head ('000)
Live hogs		
– suckling	1,555	1,484
– nursery	2,203	2,132
– finishing	6,816	7,086
	10,574	10,702
Breeding stock (hogs)	1,066	1,061
	11,640	11,763
Broiler	2,862	–
Breeding stock (poultry)	455	–
	3,317	–

Hogs

In general, once a sow is inseminated it will gestate for a period of 114 days. New born hogs are classified as "suckling". The suckling hogs will stay with their mother for three to four weeks at which time they will be weaned. Once the suckling hogs are weaned, at approximately 15 pounds, they are transferred to the "nursery".

The nursery facilities are designed to meet the needs of newly weaned pigs. They are fed a series of specially formulated diets to meet their changing nutritional needs. The pigs will stay in the nursery for approximately 7 weeks where they will grow to approximately 50 pounds and then be transferred to the "finishing" farm.

Finishing hogs typically stay in this phase for 14 to 20 weeks. During that time they will grow to 260 pounds and be considered as a live hog with market value. Once the hog reaches the ideal weight, they are loaded onto specially designed trucks for transport to the processing facility.

Poultry

In general, once a pullets lays eggs, the eggs will be sent to the hatchery and it will take approximately 28 days to be hatched. The hatched chicks are then sent to the broiler farm.

The chicks are fed with a series of specially formulated diets to meet their nutrition needs. The chicks will stay in the broiler farm for approximately 35-42 days where they will grow to approximately 2.4 kilogram and then be considered as a broiler with market value.

Once the broiler reaches the market weight, they are loaded onto specially designed trucks for transport to the processing facility.

19. Biological Assets (Continued)

Nature of the Group's agricultural activities (Continued)

The Group is exposed to a number of risks related to its biological assets. The Group is exposed to the following operating risks:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding of hogs and poultry. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(ii) Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections, disease controls, surveys and insurance.

Carrying value of the Group's biological assets

	Live hogs		Breeding stock (hogs)		Broiler		Breeding stock (poultry)		Total	
	2015 US$'million	2014 US$'million	2015 US$'million	2014 US$'million	2015 US$'million	2014 US$'million	2015 US$'million	2014 US$'million	2015 US$'million	2014 US$'million
Carrying value at January 1	1,014	1,116	220	204	–	–	–	–	1,234	1,320
Currency realignment	(15)	(15)	(5)	(2)	–+	–	–+	–	(20)	(17)
Add: Breeding costs	7,075	7,807	168	209	45	–	6	–	7,294	8,016
(Loss) gain arising from changes in fair value less costs to sell of biological assets	(38)	70	6	22	(1)	–	(2)	–	(35)	92
Transfer to inventories at the point of harvest	(6,971)	(7,752)	(158)	(182)	(38)	–	(1)	–	(7,168)	(7,934)
Decrease due to depreciation	–	–	(2)	(3)	–	–	–	–	(2)	(3)
Decrease due to culling	(204)	(212)	(31)	(28)	(2)	–	(1)	–	(238)	(240)
Carrying value at December 31	861	1,014	198	220	4	–	2	–	1,065	1,234

Changes in fair value less costs to sell of biological assets include changes in the fair value of the hogs and poultry at the end of both years. The Group's biological assets were independently valued by the independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited situated at 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong.

+ Less than US$1 million.

19. Biological Assets (Continued)

Carrying value of the Group's biological assets (Continued)

Analysed for reporting purpose as:

	2015 US$'million	2014 US$'million
Current	**865**	1,014
Non-current	**200**	220
	1,065	1,234

Fair value measurement

	Level 1 US$'million	Level 2 US$'million	Level 3 US$'million	Total US$'million
At December 31, 2015				
Biological assets				
– live hogs	–	–	**861**	**861**
– breeding stock (hogs)	–	–	**198**	**198**
– Broiler	–	–	**4**	**4**
– breeding stock (poultry)	–	–	**2**	**2**
	–	–	**1,065**	**1,065**
At December 31, 2014				
Biological assets				
– live hogs	–	–	1,014	1,014
– breeding stock	–	–	220	220
	–	–	1,234	1,234

The fair values of breeding stock (hogs and poultry) are determined based on the average of the historical selling price of hog and poultry of similar breed and genetic merit less costs to sell (level 3). The estimated fair value will significantly increase when there is a slight increase in the average historical selling price, and vice versa.

The fair values of live hog and broiler are mainly determined based on the market price of hogs and broiler in the actively traded slaughtering market, subtracting the breeding costs required to raise the live hogs and broiler to be slaughtered and the margins that would be required by a raiser and less costs to sell (level 3). The estimated fair value will significantly increase when there is a slight increase in the market price of hog and broiler in the slaughtering market or decrease in the breeding cost required to raise the live hogs and broiler, and vice versa.

19. Biological Assets (Continued)

Fair value measurement (Continued)

Set forth below are the key assumptions and inputs adopted in the valuation process of biological assets:

	2015	2014
China		
Breeding stock (hogs)		
Per head market price(1) (RMB)	2,018	2,141
Suckling hogs		
Per head cost(2) (RMB)	57	67
Finishing hogs		
Per head market price(3) (RMB)	1,467	1,328
Per head weekly average breeding costs required to raise to finishing hogs(4) (RMB):	40	42
Breeding stock (poultry)		
Per head market price(1) (RMB)	25	–
Broiler		
Per head market price(3) (RMB)	16	–
Per head average breeding costs required raise to broiler(4) (RMB)	17	–
U.S.		
Breeding stock – Sow (hogs)		
Per head market price(1) (US$)	186	206
Breeding stock – Boar (hogs)		
Per head market price(1) (US$)	96	109
Suckling hogs		
Per head cost(2) (US)	31	30
Finishing hogs		
Per head market price(3) (US$)	129	173
Per head weekly average breeding costs required to raise to finishing hogs(4) (US$):	5.2	5.9

Notes:

1. Market prices of breeding stock — Breeding stock is assumed to be sellable to the market as at the corresponding Stock valuation date. The prices adopted refer to the average historical selling prices transacted to local slaughter house. As the Group never sells its breeding stock before the end of its useful life, no historical actual sales figures are available.
2. Costs of suckling hogs — As there is insignificant biological transformation that takes place between the birth of these animals until they become finishing hogs, the cost approach was adopted. As the hogs are only 4 weeks' old at most, the recent cost incurred approximates the replacement cost.
3. Market prices of finishing hogs/broilers — The adopted selling prices of finishing hogs/broilers (which is old enough to be sold to the market) are determined using their market price at the actively traded local spot and/or future market as reference. The prices used in the valuation are in line with the actual prices recorded.
4. Costs required to complete — The costs to complete used as an assumption in valuation are based on the historical average feeding cost, medication and vaccination, grower payment, production housing, production overhead, the freight-to-slaughter and selling costs that would be incurred for sales. The estimated profits that would be required by a raiser are also applied in the valuation.

20. Goodwill

	2015 US$'million	2014 US$'million
COST		
At January 1	1,815	1,835
Currency realignment	(14)	(17)
Addition	–	5
Purchase accounting adjustments	–	(8)
At December 31	1,801	1,815
ACCUMULATED IMPAIRMENT LOSSES		
At January 1 and December 31	–	–
CARRYING VALUE		
At December 31	1,801	1,815

Impairment testing on goodwill

Based on the Group's business units, goodwill has been allocated for impairment testing purpose to the following CGUs:

- Fresh pork
- Packaged meats

The carrying amount of goodwill allocated to CGUs and unallocated is as follows:

	2015 US$'million	2014 US$'million
Allocated to		
Fresh pork – China	51	53
Packaged meats – China	147	153
Fresh pork – U.S.	31	31
Packaged meats – U.S.	1,504	1,504
Fresh pork and packaged meats – Others	68	74
	1,801	1,815

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amount of CGUs may not be recoverable. The recoverable amounts of these CGUs have been determined by value in use method using cash flow projection performed by the management for both years ended December 31, 2015 and December 31, 2014.

20. Goodwill (Continued)

Impairment testing on goodwill (Continued)

For the purpose of impairment testing, the Group prepares cash flow projection and the recoverable amounts of these CGUs are calculated by using pre-tax cash flow projections based on a 3-year/5-year financial budget approved by management and extrapolation of cash flows beyond the 3-year/5-year budget period.

Key assumptions used in the cash flow projection of fresh pork in China/U.S. covering a 3-year/5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	China		U.S.	
	2015 %	2014 %	**2015 %**	2014 %
Revenue growth rate (Note i)	**16.42–25.65**	13.20–32.01	**(1.9)–5.2**	0.1–0.7
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**14**	9	**8**	9

Key assumptions used in the cash flow projection of packaged meats in China/U.S. covering a 3-year/5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	China		U.S.	
	2015 %	2014 %	**2015 %**	2014 %
Revenue growth rate (Note i)	**16.00–19.64**	8.64–21.39	**0.8–6.2**	0.8–4.4
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**14**	9	**8**	9

Key assumptions used in the cash flow projection of fresh pork and packaged meats in other locations outside China and U.S. covering a 5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	2015 %	2014 %
Revenue growth rate (Note i)	**2.5–5.9**	2.1–4.4
Long-term growth rate (Note ii)	**3**	3
Discount rate (Note iii)	**9**	10

Notes:

i. Management determined revenue growth rate over a 3-year/5-year budget period with reference to the past performance and its expectations for the market development.

ii. The long-term growth rate used does not exceed the long-term growth rate for the meat production business in which it operates.

iii. The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the CGUs.

No impairment loss is recognised at the end of both years based on the impairment assessment performed. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount of the CGUs.

21. Intangible Assets

	Trademarks US$'million	Distribution network US$'million	Patents US$'million	Customers relations US$'million	Contract farm relations US$'million	Rights and permits US$'million	Total US$'million
COST							
At January 1, 2014	1,678	5	1	55	40	3	1,782
Currency realignment	(27)	–	–+	(1)	–	–+	(28)
At December 31, 2014	1,651	5	1	54	40	3	1,754
Currency realignment	(24)	–	–	–+	–	–+	(24)
At December 31, 2015	**1,627**	**5**	**1**	**54**	**40**	**3**	**1,730**
AMORTISATION AND IMPAIRMENT							
At January 1, 2014	–	–	1	1	–	–+	2
Currency realignment	–	–	–+	–+	–	–+	–+
Provided for the year	–	–	–+	4	2	–+	6
At December 31, 2014	–	–	1	5	2	–+	8
Currency realignment	–	–	–	–+	–	–+	–+
Provided for the year	–	–	–	5	2	–+	7
At December 31, 2015	**–**	**–**	**1**	**10**	**4**	**–+**	**15**
CARRYING VALUES							
At December 31, 2015	**1,627**	**5**	**–**	**44**	**36**	**3**	**1,715**
At December 31, 2014	1,651	5	–	49	38	3	1,746

Patents, customers relations, contract farm relations and rights and permits are amortised over their estimated useful lives of 10 to 20 years.

Trademarks and distribution network acquired in the business combination are identified and recognised as intangible assets with indefinite useful lives and carried at historical cost without amortisation for the following reasons:

– they are capable of being renewed indefinitely at insignificant cost;

– there is no foreseeable limit to the period over which the asset is expected to generate net cash flows, based on an analysis of all of the relevant factors.

+ Less than US$1 million.

21. Intangible Assets (Continued)

Impairment testing on intangible assets

Based on the Group's business units, trademarks and distribution network have been allocated for impairment testing purpose to the following CGUs:

- Fresh pork
- Packaged meats

The carrying amount of trademarks and distribution network was allocated to CGUs as follows:

	2015 US$'million	2014 US$'million
Allocated to		
Fresh pork – China	50	53
Packaged meats – China	299	315
Fresh pork – U.S.	235	235
Packaged meats – U.S.	965	965
Fresh pork and packaged meats – Others	83	88
	1,632	1,656

An impairment review of these CGUs is undertaken annually or when events or circumstances indicate that the carrying amount of CGUs may not be recoverable. The recoverable amount of these CGUs have been determined by value in use method using cash flow projection by management for the years ended December 31, 2015 and December 31, 2014.

For the purpose of impairment testing, the Group prepares cash flow projection based on a 3-year/5-year financial budgets approved by management and extrapolation of cash flows beyond the 3-year/5-year budget period.

Key assumptions used in the cash flow projection of trademarks and distribution network of fresh pork covering a 3-year/5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	China		U.S.	
	2015 %	2014 %	2015 %	2014 %
Revenue growth rate (Note i)	16.42–25.65	13.20–32.01	(1.9)–5.2	0.1–0.7
Long-term growth rate (Note ii)	2	2	2	2
Discount rate (Note iii)	17	12	10	11

21. Intangible Assets (Continued)

Impairment testing on intangible assets (Continued)

Key assumptions used in the cash flow projection of trademarks and distribution network of packaged meats covering a 3-year/5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	China		U.S.	
	2015	2014	**2015**	2014
	%	%	**%**	%
Revenue growth rate (Note i)	**16.00–19.64**	8.60–21.39	**0.8–6.2**	0.8–12.9
Long-term growth rate (Note ii)	**2**	2	**2**	2
Discount rate (Note iii)	**17**	12	**10**	11

Key assumptions used in the cash flow projection of trademarks and distribution network of fresh pork and packaged meats in other locations outside China and U.S. covering a 5-year budget period and extrapolated cash flow beyond the budget period are as follows:

	2015	2014
	%	%
Revenue growth rate (Note i)	**2.5–5.9**	5.8–5.9
Long-term growth rate (Note ii)	**3**	3
Discount rate (Note iii)	**11**	11

Notes:

i. Management determined revenue growth rate over a 3-year/5-year budget period with reference to the past performance and its expectations for the market development.

ii. The long-term growth rate used does not exceed the long-term growth rate for the meat production business in which it operates.

iii. The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the trademarks and distribution network.

The Group does not recognise an impairment loss during both years based on the impairment assessment performed. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the trademarks and distribution network to exceed the aggregate recoverable amount of the assets.

22. Interests in Associates

	2015 US$'million	2014 US$'million
The Group's share of interests in associates Unlisted	49	367
Share of post-acquisition profits and other comprehensive income, net of dividends received	14	25
	63	392

Details of the Group's principal associates as at December 31, 2015 and December 31, 2014 are as follows:

Name of associate	Place of establishment/ incorporation	Attributable proportion of issued/registered capital held by the Company indirectly 2015	2014	Principal activities
Associates of WH Group				
杜邦雙匯漯河蛋白有限公司 (Dupont Shineway Luohe Protein Co., Ltd)	China	40%	40%	Manufacture and sales of protein products
南通匯羽豐新材料有限公司 (Nantong SKT New Material Co., Ltd)	China	43%	43%	Packaging materials supplies
杜邦雙匯漯河食品有限公司 (Dupont Shinenay Luohe Food Co., Ltd.)	China	48%	48%	Production of soy albumen
Campofrio Food Group, S.A. ("Campofrio") (Note)	Spain	–	37%	Manufacture and sales of meat products
Sigma & WH Food Europe, S.L. ("Sigma & WH Europe") (Note)	Spain	–	37%	Investing holding of Campofrio

Note: Compofrio and Sigma & WH Europe were disposed of on June 3, 2015 to an independent third party of the Company (see Note 15).

The above table lists the principal associates of the Group, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the consolidated net assets. To give details of all the associates would, in the opinion of the directors, result in particulars of excessive length.

All of the above associates are accounted for using equity method in the consolidated financial statements.

22. Interests in Associates (Continued)

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts prepared in accordance with IFRSs.

Sigma & WH Europe

Sigma Alimentos, S.A. De C.V. ("Sigma"), was a shareholder owning 62% of the shares of Campofrio. In June 2014, the Group has entered into a shareholders agreement with Sigma to form a new entity, Sigma & WH Europe, incorporated in Spain, to hold the shares of Campofrio owned by Sigma and the Group. At the formation of Sigma & WH Europe, both the Sigma and the Group contributed the amount of shares equivalent to the shares that Sigma and the Group held in Campofrio. On June 3, 2015, the Group disposed all interest in Sigma & WH Europe and sigma & WH Europe ceased to be an associate of the Group. Please refer to note 15 for disposal of an associate.

	Sigma & WH Europe 2014 US$'million
Current assets	913
Non-current assets	2,046
Current liabilities	(1,047)
Non-current liabilities	(1,022)

	Sigma & WH Europe	
	2015 US$'million	2014 US$'million
Revenue	**677**	2,561
(Loss) profit for the period/year	**(14)**	30
Other comprehensive income for the period/year	**4**	2
Total comprehensive (loss) income for the period/year	**(10)**	32
Dividends received from the associate during the period/year	**–**	–

22. Interests in Associates (Continued)

Sigma & WH Europe (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial information:

	Sigma & WH Europe 2014 US$'million
Net assets	890
Proportion of the Group's ownership interest	37%
Carrying amount of the Group's interest	330

Aggregate information of associates that are not individually material is set out below:

	2015 US$'million	2014 US$'million
The Group's share of profit for the year from these associates	**4**	7
The Group's share of other comprehensive income	**–**	1
The Group's share of total comprehensive income	**4**	8

23. Interests in Joint Ventures

	2015 US$'million	2014 US$'million
Cost of investment in unlisted joint ventures	**111**	111
Share of post-acquisition profits and other comprehensive income, net of dividend received	**11**	36
	122	147

Details of the Group's principal joint ventures as at December 31, 2015 and December 31, 2014, all of which are 50% held by the Company indirectly are as follows. The Group exercises joint control over these entities and therefore classified them as joint ventures of the Group.

Name of joint venture	Place of incorporation	Principal activities
Granjas Carroll de Mexico S. de R.L. de C.V.	Mexico	Hog farming operations
Norson Holding, S. de R.L. de C.V.	Mexico	Manufacturing of meat products and hog farming operations
Carolina Cold Storage Limited Partnership	U.S.	Cold storage facility

All the Group's joint ventures are not considered as individually material, the aggregate amounts of its share of these joint ventures is set out in the consolidated financial statements.

24. Inventories

	2015 US$'million	2014 US$'million
Raw materials	**696**	695
Work in progress	**76**	76
Finished goods	**976**	1,129
	1,748	1,900

25. Trade and Bills Receivables

	2015 US$'million	2014 US$'million
Trade receivables	727	848
Less: Allowances for bad and doubtful debts	(7)	(7)
	720	841
Bills receivables	5	4
	725	845

The general credit term allowed by the Group to its customers is within 30 days in China operations while the credit term vary depending on the sales channel and customer for U.S. and others operations. The following is an ageing analysis of the trade and bills receivables net of allowances for bad and doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	2015 US$'million	2014 US$'million
Age		
0 to 30 days	647	773
31 to 90 days	62	64
91 to 180 days	16	8
	725	845

Before accepting any new customers, the Group uses past experience to assess the potential customers' credit quality and defines credit limits for the customers. Limits attributed to customers are reviewed regularly.

At December 31, 2015, included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$78 million (2014: US$72 million) which mainly aged between 31 to 90 days are past due at the end of reporting period for which the Group has not provided for impairment loss considering the payment history and substantial repayment was noted subsequently to the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables as at December 31, 2015 is 75 days (2014: 68 days).

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors considered that the concentration of credit risk is limited due to the customer base being large and unrelated.

25. Trade and Bills Receivables (Continued)

No interest is charged on trade receivables. Allowances on trade receivables are made based on estimated irrecoverable amounts from the sales of goods by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate.

Movement in the allowances for bad and doubtful debts.

	2015 US$'million	2014 US$'million
At January 1	(7)	(3)
Recognised during the year (Note 11)	–+	(4)
At December 31	(7)	(7)

The allowances for doubtful debts represented individually impaired trade receivables which have been placed under liquidation or in severe financial difficulties.

26. Prepayments, Deposits and Other Receivables

	2015 US$'million	2014 US$'million
Loans receivables	38	55
Deposits paid to suppliers	20	29
Deposits placed with financial institutions	43	54
Value-added tax receivables	96	79
Prepayments	30	36
Amounts due from associates	–	1
Others	49	49
	276	303
Analysed for reporting purposes as:		
Current	231	263
Non-current	45	40
	276	303

+ Less than US$1 million.

27. Available-For-Sale Investments

	2015 US$'million	2014 US$'million
Financial products	**397**	209

At December 31, 2015, the balances represented the investments in financial products operated by banks with expected annual return ranging from 2.1% to 4.1% (2014: 4.6% to 5.8%) per annum.

28. Derivatives Financial Instruments

Derivatives under hedge accounting

	2015		2014	
	Assets US$'million	Liabilities US$'million	Assets US$'million	Liabilities US$'million
Fair value hedges				
– Grain contracts	**1**	**–**	–+	2
Cash flow hedges				
– Foreign currency forward	**–**	**1**	–+	–+
– Grain contracts	**–**	**32**	5	23
– Livestock contracts	**11**	**–**	60	–+
– Interest rate contracts	**–**	**–+**	–	–
	12	**33**	65	25

Fair value hedges:

The Group entered into derivative instruments (primarily forward contracts) to minimise its exposure to fair value changes of its commitments to buy grains. The directors of the Company consider that those derivative instruments are highly effective hedging instruments. Major terms of the derivative instruments are set out below:

Derivative instruments	Notional volume Minimum	Maximum	Metric	Maturity
At December 31, 2015				
Commodities contracts				
– Corn	1,825,000	11,285,000	Bushels	up to May 2017
At December 31, 2014				
Commodities contracts				
– Corn	450,000	9,195,000	Bushels	up to December 2016

During the year ended December 31, 2015, the hedge was highly effective in hedging the fair value exposure to the grain price movements and as a result the carrying amount of the commitments to buy grains was adjusted by less than US$1 million (2014: less than US$1 million) which was included in profit or loss at the same time that the derivative instruments were included in profit or loss in both years.

\+ Less than US$1 million.

28. Derivatives Financial Instruments (Continued)

Cash flow hedges:

At December 31, 2015 and December 31, 2014, the Group had the following foreign exchange forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency forecast sales and purchases.

As at December 31, 2015, there were deferred net losses of US$23 million (2014: net gain of US$24 million) in equity, net of tax credit of US$30 million (2014: net of tax expense of US$17 million) included in other reserve.

The Group entered into derivative instruments, such as futures, swaps and options contracts designated as highly effective hedging instruments in order to manage the Group's exposure to the variability in expected future cash flows attributable to commodity price risk associated with the forecasted sale of live hogs and fresh pork, the forecasted purchase of corn and soybean meal as well as cash flow interest rate risk associated with floating rate borrowings. The terms of the derivative instruments have been negotiated to match the terms of the respective designated hedged items. The major terms of these contracts are as follows:

	Notional volume			
Derivative instruments	**Minimum**	**Maximum**	**Metric**	**Maturity**
At December 31, 2015				
Commodities contracts				
– Lean hogs	–	1,006,440,000	Pounds	up to July 2016
– Corn	56,855,000	81,685,000	Bushels	up to December 2016
– Soybean meal	433,800	730,300	Tons	up to December 2016
Interest rate contracts	17,360,681	19,493,720	U.S. Dollars	up to November 2019
Foreign currency forward contracts	16,252,934	53,993,260	Various currencies	up to November 2016
At December 31, 2014				
Commodities contracts				
– Lean hogs	103,280,000	1,847,680,000	Pounds	up to August 2015
– Corn	42,575,000	99,580,000	Bushels	up to December 2015
– Soybean meal	346,500	827,300	Tons	up to December 2015
Foreign currency forward contracts	10,966,921	34,363,900	Various currencies	up to September 2015

Fair value losses of US$47 million (2014: fair value gain of US$29 million) have been recognised in other comprehensive expenses during the year ended December 31, 2015.

28. Derivatives Financial Instruments (Continued)

Derivatives not under hedge accounting

	2015		2014	
	Assets US$'million	Liabilities US$'million	Assets US$'million	Liabilities US$'million
Foreign currency forward	–	–+	1	–+
Grain contracts	3	–	1	8
Livestock contracts	8	–	6	9
Energy contracts	–	16	–	10
	11	16	8	27

Major terms of such derivatives are as follows:

Derivative instruments	Notional volume Minimum	Maximum	Metric	Maturity
At December 31, 2015				
Commodities contracts				
– Wheat	60,000	3,805,000	Bushels	up to July 2016
– Soybean meal	2,700	25,400	Tons	up to August 2016
– Lean hogs	5,910,000	266,440,000	Pounds	up to October 2016
– Corn	3,960,000	24,320,000	Bushels	up to March 2017
– Soybeans	50,000	3,125,000	Bushels	up to March 2017
Natural gas	7,460,000	11,000,000	MMBTU	up to December 2017
Live cattle	–	15,360,000	Pounds	up to April 2016
Heating oil	2,016,000	3,276,000	Gallons	up to December 2016
Crude oil	36,000	72,000	Barrels	up to December 2016
Diesel	3,948,000	7,112,000	Gallons	up to December 2016
Foreign currency forward contracts	4,694,854	56,532,851	Various currencies	up to July 2016
At December 31, 2014				
Commodities contracts				
– Wheat	–	85,000	Bushels	up to July 2015
– Soybean meal	–	18,500	Tons	up to January 2016
– Lean hogs	600,000	414,600,000	Pounds	up to February 2016
– Soybeans	75,000	3,545,000	Bushels	up to November 2016
– Corn	490,000	24,640,000	Bushels	up to December 2016
Natural gas	8,030,000	11,040,000	MMBTU	up to December 2016
Diesel	–	6,888,000	Gallons	up to December 2016
Foreign currency forward contracts	6,272,810	85,251,053	Various currencies	up to July 2015

All derivative financial assets and liabilities are recorded as current assets and current liabilities.

+ Less than US$1 million.

29. Pledged Bank Deposits and Bank Balances and Cash

At December 31, 2015, bank balances carry interest at market rates ranging from 0.01% to 4.80% (2014: 0.06% to 4.34%) per annum. The pledged bank deposits carry fixed interest rates from 0.01% to 3.90% (2014: 0.01% to 3.60%) per annum.

At December 31, 2015, pledged bank deposits represent deposits of US$18 million (2014: US$21 million) pledged to banks for securing banking and trading facilities such as letter of credits and bank loans granted to the Group, and US$3 million (2014: US$4 million) pledged for securing loan from a third party. These pledged bank deposits will be released upon the settlement of relevant borrowings or the release of the relevant facilities.

30. Trade and Bills Payables

The average credit period on purchase of goods is about 30 days in China operations and the credit terms vary depending on the vendor for U.S. and other operations. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	2015 US$'million	2014 US$'million
Trade payables	**812**	850
Bills payables	**–**	–+
	812	850

The following is an analysis of trade payables based on the invoice date:

	2015 US$'million	2014 US$'million
Age		
0 to 30 days	**786**	646
31 to 90 days	**22**	170
91 to 180 days	**2**	28
181 to 365 days	**2**	6
	812	850

+ Less than US$1 million.

31. Accrued Expenses and Other Payables

	2015 US$'million	2014 US$'million
Accrued staff costs	**394**	378
Deposits receipts	**206**	156
Sales rebates payables	**193**	140
Payables in respect of acquisition of property, plant and equipment	**189**	297
Insurance payables	**113**	114
Interest payable	**62**	70
Balance of contingent consideration in respect of acquisition of subsidiaries	**54**	50
Growers payables	**35**	41
Deferred compensation	**32**	37
Accrued rent and utilities	**30**	31
Pension liability (Note 36)	**31**	27
Accrued professional fees	**25**	35
Accrued advertising expenses	**26**	34
Amounts due to associates (Note 43(b))	**4**	9
Deferred revenue (Note 35)	**2**	2
Brokers payables	**–+**	34
Obligations under finance leases (Note 32)	**1**	1
Other payables	**123**	141
	1,520	1,597
Analysed for reporting purposes as:		
Current	**1,371**	1,457
Non-current	**149**	140
	1,520	1,597

\+ Less than US$1 million.

32. Obligations Under Finance Leases

The Group has leased certain of its buildings, machinery, vehicles and other equipment under finance leases. As at December 31, 2015, the lease term is ranged from 2 to 25 years (2014: 2 to 26 years). Interest rates underlying all obligations under finance leases are variable at respective contract dates with an average rate of 0.3% per annum for the year ended December 31, 2015 (2014: 0.3% per annum).

	Minimum lease payments		Present value of minimum lease payments	
	2015 US$'million	2014 US$'million	**2015 US$'million**	2014 US$'million
Amounts payable under finance leases:				
Within one year	**1**	1	**1**	1
Between one to two years	**1**	1	**1**	1
Between two to five years	**3**	3	**3**	3
After five years	**19**	20	**19**	20
	24	25	**24**	**25**
Less: Future finance charges	**–+**	–+		
Present value of lease obligations	**24**	25		
Less: Amounts due for settlement within one year and shown under current liabilities (included in accrued expenses and other payable in Note 31)			**(1)**	(1)
Amounts due after one year			**23**	24

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

+ Less than US$1 million.

33. Borrowings

	2015 US$'million	2014 US$'million
Senior unsecured notes:		
6.625% senior unsecured notes due August 2022	900	1,014
7.750% senior unsecured notes due July 2017	447	520
5.250% senior unsecured notes due August 2018	446	492
5.875% senior unsecured notes due August 2021	349	392
	2,142	2,418
Medium-term unsecured notes	154	–
Bank loans (Note i):		
Secured	59	83
Unsecured	1,544	2,144
Loans from third parties (Note ii):		
Secured	1	1
Unsecured	2	4
	3,902	4,650
Bank overdrafts (Note iii)	12	20
The borrowings other than bank overdrafts are repayable as follows (Note iv):		
Within one year	594	699
Between one to two years	777	230
Between two to five years	1,278	2,310
After five years	1,253	1,411
	3,902	4,650
Less: Amounts due within one year shown under current liabilities	(594)	(699)
Amounts due after one year	3,308	3,951
Total borrowings:		
At fixed rates	2,456	2,899
At floating rates	1,446	1,751
	3,902	4,650
Analysis of borrowings by currency:		
Denominated in US$	3,436	4,536
Denominated in RMB	426	60
Denominated in EUR	2	4
Denominated in GBP ("British Pound")	3	4
Denominated in PLN ("Polish Zloty")	29	46
Denominated in RON ("Romanian Leu")	6	–
	3,902	4,650

33. Borrowings (Continued)

Notes:

i. Fixed rate bank loans carry interest at fixed rates ranging from 2.67% to 5.25% (2014: 1.6% to 5.5%) and floating rates ranging from LIBOR + 0.68% to LIBOR + 3.25% per annum at December 31, 2015 (2014: LIBOR + 2.5% to LIBOR + 4.0%).

ii. Loans from third parties carry interests at fixed rates of 0.9% per annum at December 31, 2015 (2014: 0.6% to 0.9%).

iii. Bank overdrafts at December 31, 2015 carry interest at 4.35% per annum (2014: 5.6% per annum).

iv. The amounts due are based on scheduled repayment dates set out in the loan agreements.

During the year ended December 31, 2014, the Group had entered into US$1,500 million Syndicated Loan. It carries interest at LIBOR + 2.48% to 3.08% per annum in correlation to the leverage ratio of the Group for both years.

The Group's borrowings contain affirmative and negative covenants that, among other things, limit or restrict the Group's ability to create liens and encumbrances, incur debt, enter into liquidation, enter into change of control transactions or change the scope of the business, make acquisitions and investments, dispose of or transfer assets, pay dividends or make other payments in respect of its inventories, in each case, subject to certain qualifications and exceptions. The Group has no default in payment of the bank borrowings, nor did it breach any relevant finance covenants for the year ended December 31, 2015 and December 31, 2014.

Details of assets pledged to secure borrowings are set out in Note 41.

34. Deferred Taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2015 US$'million	2014 US$'million
Deferred tax assets	**146**	88
Deferred tax liabilities	**(810)**	(838)
	(664)	(750)

The following are the major deferred tax assets/liabilities recognised by the Group, and the movements thereon during the year:

Tax effect of deductible temporary differences:

	Allowances for bad debts US$'million	Impairment loss and accelerated accounting depreciation on property, plant and equipment US$'million	Unrealised profit in inventories US$'million	Write-down of inventories US$'million	Tax losses US$'million	Unpaid staff welfare US$'million	Fair value changes arising from biological assets US$'million	Other deductible temporary differences US$'million	Total US$'million
At January 1, 2014	–+	4	18	–+	79	191	–	24	316
Currency realignment	–	–+	–+	–+	(1)	–+	–	(3)	(4)
Arising on acquisition of subsidiaries	–	–	1	–	–	–	–	–	1
(Charged) credited to profit or loss	–+	(1)	(10)	–+	41	(19)	–	(12)	(1)
Credited (charged) to equity	–	–+	–	–	–	75	–	(9)	66
At December 31, 2014	–+	3	9	–+	119	247	–	–	378
Currency realignment	–+	–+	–+	–+	(1)	–+	–	(1)	(2)
Credited (charged) to profit or loss	–+	–+	4	–+	49	(59)	15	(9)	–+
Credited to equity	–	–	–	–	–	10	–	33	43
At December 31, 2015	**–+**	**3**	**13**	**–+**	**167**	**198**	**15**	**23**	**419**

+ Less than US$1 million.

34. Deferred Taxation (Continued)

Tax effect of taxable temporary differences:

	Accelerated tax depreciation US$'million	Undistributed earnings of subsidiaries US$'million	Fair value changes arising from business combination US$'million	Fair value changes arising from biological assets US$'million	Other taxable temporary differences US$'million	Total US$'million
At January 1, 2014	(540)	(20)	(521)	(15)	(2)	(1,098)
Currency realignment	–+	–+	5	–	9	14
Arising on acquisition of subsidiaries	–	–	48	–	–	48
Credited (charged) to profit or loss	9	2	(19)	(16)	(60)	(84)
Credited (charged) to equity	–+	–	–	–	(8)	(8)
At December 31, 2014	(531)	(18)	(487)	(31)	(61)	(1,128)
Currency realignment	–+	–+	–+	–	10	10
(Charged) credited to profit or loss	(6)	(13)	14	31	27	53
Charge to equity	–	–	–	–	(18)	(18)
At December 31, 2015	**(537)**	**(31)**	**(473)**	**–**	**(42)**	**(1,083)**

At December 31, 2015, the Group had unused tax losses of US$577 million (2014: US$456 million) available for offset against future profits of which a deferred tax asset has been recognised in respect of US$509 million (2014: US$359 million) of such losses. No deferred tax asset has been recognised in respect of such losses of US$68 million (2014: US$97 million) due to unpredictability of future profit stream. Except for an unrecognised tax losses of US$28 million at December 31, 2015 (2014: US$44 million) that may be carried forward indefinitely, other losses will expire from the year of 2016 to 2029.

+ Less than US$1 million.

34. Deferred Taxation (Continued)

The unrecognised tax losses will expire on or before 2029 as below:

	2015 US$'million	2014 US$'million
By end of		
2015	–	8
2016	4	6
2017	3	9
2018	3	6
after 2019	30	24
	40	53

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$881 million (2014: US$691 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group has determined that this portion of profits derived from these operating subsidiaries will be retained by these subsidiaries and will not be distributed in the foreseeable future. Therefore, it is probable that such differences will not reverse in the foreseeable future.

35. Deferred Revenue

	2015 US$'million	2014 US$'million
Government grant		
– current (included in accrued expenses and other payables) (Note 31)	2	2
– non-current	9	6
	11	8

The deferred revenue represents government grant received in relation to construction of property, plant and equipment of the Group. As the related assets are under construction, the grant received from government will be released to profit or loss as other income over the useful lives of the related amounts after the construction is completed.

36. Pension Liability and Other Retirement Benefits

Defined benefit plans

The group entities which operate in U.S. operate funded defined benefit scheme for all their qualified employees. Pension benefits provided by the Group are currently organised primarily through defined benefit pension plans which cover virtually all U.S. employees and certain foreign employees of the Group. Salaried employees are provided benefits based on years of service and average salary levels. Hourly employees are provided benefits of stated amounts for each year of service.

The defined benefit plan is administered by a separate fund that is legally separated from the entity. The board of the pension fund is composed of an equal number of representatives from both employers, employees and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Under the plan, the employees are entitled to retirement benefits varying between 40% and 45% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees.

The plan in U.S. exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it is appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estates to leverage the return generated by the fund.
Interest risk	A decrease in the interest rate of fixed income products will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
Price risk	An increase in the market price of equity investments will increase the plan assets.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2015 by Mercer (US), Inc.. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

36. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at December 31, 2015	2014
Discount rate	4.70%	4.30%
Expected rate of salary increase	4%	4%

The actuarial valuation showed that the market value of plan assets was US$1,322 million (2014: US$1,214 million).

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows.

	2015 US$'million	2014 US$'million
Service cost:		
Current service cost	58	49
Past service cost	(15)	–
Net interest expense	20	24
Total	63	73

36. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

Remeasurement of the net defined benefit liability included in other comprehensive (expense) income are as follows.

	2015 US$'million	2014 US$'million
Return on plan assets (excluding amounts included in net interest expenses)	(68)	61
Actuarial gains (losses) arising from change in financial assumptions	48	(254)
	(20)	(193)
Less: Taxation (Note 46)	8	75
Total	(12)	(118)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2015 US$'million	2014 US$'million
Present value of funded defined benefit obligations	1,783	1,816
Fair value of plan assets	(1,322)	(1,214)
Funded status and net liability arising from defined benefit obligation	461	602
Other retirement benefits	10	14
	471	616
Analysed as:		
Current (Note 31)	31	27
Non-current	440	589
	471	616

36. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2015 US$'million	2014 US$'million
Defined benefit obligation at January 1	1,816	1,653
Current service cost	58	49
Past service cost	(15)	–
Interest cost	78	84
Benefits paid	(110)	(224)
Remeasurement losses:		
Actuarial (gains) losses arising from change in financial assumptions	(44)	254
Defined benefit obligation at December 31	1,783	1,816

Movements in the present value of the plan assets in the current year were as follows:

	2015 US$'million	2014 US$'million
Fair value of plan assets at January 1	1,214	1,126
Interest income	58	60
Contributions from the employer	228	191
Benefits paid	(110)	(224)
Remeasurement (losses) gains:		
Return on plan assets (excluding amounts included in net interest expenses)	(68)	61
Fair value of plan assets at December 31	1,322	1,214

36. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

The fair value of the plan assets as at the end of the reporting period for each category, are as follows.

	Fair value of plan assets at December 31,	
	2015	2014
	US$'million	US$'million
Cash and cash equivalents	**87**	97
Equity securities:		
Preferred stock	**–**	3
U.S. common stock:		
Health care	**35**	31
Financial services	**43**	44
Retail and consumer products	**29**	36
Energy	**15**	9
Information technology	**51**	75
Manufacturing and industrials	**29**	26
Telecommunications	**9**	5
International common stock	**132**	128
Mutual funds:		
International	**143**	75
Domestic small cap	**15**	26
Fixed income:		
Mutual funds	**11**	14
Asset-backed securities	**7**	17
Emerging markets securities	**20**	23
Corporate debt securities	**382**	297
Government debt securities	**208**	204
Alternative investments:		
Diversified investment funds	**56**	60
Limited partnerships	**41**	36
Insurance contracts	**1**	1
Total fair value	**1,314**	1,207
Unsettled transactions, net	**8**	7
Total plan assets	**1,322**	1,214

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of diversified investment funds, limited partnerships and insurance contracts are not based on quoted market prices in active markets. As at December 31, 2015, US$460 million, US$812 million and US$42 million of the planned assets (2014: US$455 million, US$715 million and US$37 million) are classified as Level 1, Level 2 and Level 3 respectively.

The actual return on plan assets was 10% over 5 years.

36. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by US$124 million (increased by US$124 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

Pension plan assets may be invested in cash and cash equivalents, equities, debt securities, insurance contracts and real estate. The investment policy for the pension plans is to balance risk and return through a diversified portfolio of high-quality equity and fixed income securities. Equity targets for the pension plans are as indicated in the following table. Maturity for fixed income securities is managed such that sufficient liquidity exists to meet near-term benefit payment obligations. The plans retain outside investment advisors to manage plan investments within parameters established by the plan trustees.

The following table presents the fair value of the qualified pension plan assets by major asset category as at the end of the reporting period. The allocation of the pension plan assets is based on the target range presented in the following table.

Asset categories:

	At December 31, 2015		At December 31, 2014	
	US$'million	**Target range**	US$'million	Target range
Cash and cash equivalents, net of unsettled transactions	**94**	**0–4%**	102	0–4%
Equity securities	**502**	**30 –50%**	459	30 –50%
Debt securities	**628**	**33–55%**	555	33–55%
Alternative assets	**98**	**5–20%**	98	5–20%
Total	**1,322**		1,214	

The Group expects to make a contribution of US$155 million to the defined benefit plan during the next financial year (2014: US$27 million).

36. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

The following are descriptions of the valuation methodologies and key inputs used to measure pension plan assets recorded at fair value:

- *Cash and cash equivalents* – Cash equivalents include highly liquid investments with original maturities of three months or less. Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value. Actively traded money market funds are measured at their net asset values, which approximates fair value, and classified as Level 1. The fair value of certain money market funds for which quoted prices are available but traded less frequently have been classified as Level 2.

- *Equity securities* – When available, the fair value of equity securities are based on quoted prices in active markets and classified as Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities and mutual funds traded in active markets.

  If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these equity securities include securities for which quoted prices are available but traded less frequently, securities whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 equity securities include preferred stock and mutual funds that are not actively traded.

- *Fixed income* – The fair values of fixed income instruments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these fixed income instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 fixed income instruments include mutual funds, asset-backed securities, corporate debt securities, emerging market securities and government debt securities.

- *Alternative Investments* – The fair values of alternative investments are obtained from pricing services, broker quotes or other model-based valuation techniques with observable inputs and classified as Level 2. The nature of these alternative investments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data and securities that are valued using other financial instruments, the parameters of which can be directly observed. Level 2 alternative investments include diversified investment funds, domestic options contracts and futures contracts.

36. Pension Liability and Other Retirement Benefits (Continued)

Defined benefit plans (Continued)

- *Limited partnerships* – The valuation of limited partnership investments requires the use of significant unobservable inputs due to the absence of quoted market prices, inherent lack of liquidity and long-term nature of such assets and are classified as Level 3. These investments are initially valued at cost with quarterly valuations performed utilising available market data to determine the fair value of these investments. Such market data consists primarily of the observations of trading multiples of public companies considered comparable to the investments, with adjustments for investment-specific issues, the lack of liquidity and other items.

- *Insurance contracts* – The valuation of these guaranteed annuity insurance contracts is primarily based on quoted prices in active markets with adjustments for unobservable inputs caused by the unique nature of applying investment earnings as part of the participation guarantee. Due to these unobservable inputs and the long-term nature of these investments, the contracts are classified as Level 3.

Defined Contribution Plans

The Group has retirement plans covering a substantial portions of its employees. The principal plans are defined contribution plans.

The Group's qualifying employees in Hong Kong participate in MPF in Hong Kong. The assets of the MPF are held separately from those of the Group in fund under the control of trustee. Under the MPF scheme in Hong Kong, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (up to May 31, 2014) and HK$30,000 (starting from June 1, 2014). Contributions to the scheme vest immediately.

The employees of the Group's China subsidiaries are members of the state-managed retirement benefits scheme operated by the China government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The Group has defined contribution plans (401(K) plans) covering substantially all U.S. employees. The Group's contributions to the plan are primarily based on each contribution and cannot exceed the maximum allowable for tax purposes.

The amount charged to profit or loss of approximately US$76 million during the year ended December 31, 2015 (2014: US$65 million) represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

37. Share Capital

	Number of shares 'million	Amount US$'million
Ordinary shares of US$0.0001 each:		
Authorised:		
At January 1, 2014, December 31, 2014 and December 31, 2015	50,000	5
Issued and fully paid:		
At January 1, 2014	11,695.91	1
Issue of shares on global offering (Note a)	2,567.40	–+
Issue of shares on exercise of over-allotment option (Note b)	385.11	–+
At December 31, 2014 and December 31, 2015	14,648.42	1

Notes:

(a) The Company's shares were listed on the Stock Exchange on August 5, 2014. The Company allotted and issued a total of 2,567,400,000 new ordinary shares of US$0.0001 each to the public at a price of HK$6.20 per share pursuant to a global offering, raised proceeds of approximately HK$15,368 million (equivalent to approximately US$1,983 million), after deducting the underwriting fees and other related expenses payable by the Company in connection with the global offering.

(b) The over-allotment option was exercised on August 6, 2014 for the issue of 385,110,000 shares of the Company at HK$6.20 per share, raised proceeds of approximately HK$2,336 million (equivalent to approximately US$301 million), after deducting the underwriting fees and other related expenses payable by the Company in connection with the global offering.

The net proceeds was used to repay the three-year tranche maturing on August 30, 2016 of the syndicated loan entered in 2013, which had an interest rate of LIBOR plus 3.5% and had an outstanding principal amount of US$2,500 million before the settlement. The Group applied the net proceeds to this purpose after the completion of the global offering.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

38. Share Incentive Schemes

(a) The Company's share award plan (the "2010 Share Award Plan") was adopted pursuant to a resolution in writing of all shareholders of the Company dated November 26, 2010 (the "Resolutions"). As a result of the completion of the reorganisation steps as described and approved in the Resolutions on December 26, 2013, 631,580,000 shares of the Company (the "Incentive Shares"), representing 6% of the then issued shares of the Company were transferred from Shine D Holding Limited, one of the shareholders of the Company, to Chang Yun for the senior management of the Company and its subsidiaries and invested entities pursuant to the 2010 Share Award Plan. The Resolutions also approved the engagement of Tricor Services Limited by the Company to provide trustee services for the 2010 Share Award Plan and Teeroy Limited has been designated by Tricor Services Limited to act as trustee for the 2010 Share Award Plan (the "Trustee"). The voting rights in respect of the Incentive Shares held by Chang Yun will be exercised in accordance with the direction to be given by Heroic Zone, one of the shareholders of the Company.

+ Less than US$1 million.

38. Share Incentive Schemes (Continued)

(a) (Continued)

If, at the date of termination of the 2010 Share Award Plan, Chang Yun holds any Incentive Shares which has not been set aside pursuant to the terms of the 2010 Share Award Plan in favour of any selected employee of the Company or retains any unutilised funds, the Trustee shall handle at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Upon termination of the 2010 Share Award Plan, all the Incentive Shares and other distributions provisionally awarded to a selected employee to the extent not already vested pursuant to the terms of the 2010 Share Award Plan, shall become vested on such selected employee and any Incentive Shares which are not vested in accordance with the terms of the 2010 Share Award Plan or are forfeited in accordance with the terms thereunder, shall be handled at the discretion of the board of directors of the Company according to the then applicable laws and regulations. The trust set up for the 2010 Share Award Plan was hereby regarded as a special purpose entity of the Company and consolidated to the Group accordingly.

The 2010 Share Award Plan was amended pursuant to a resolution in writing of all directors dated February 9, 2012 and the assessment period for vesting the Incentive Shares were set to be 2012 to 2014. None of the shares has been granted to the management or staff of the Company under the 2010 Share Award Plan up to the date of issue of these financial statements, and the assessment is expected to be completed in 2016.

Details of the Share Award Plan are as follows:

Number of shares	631,580,000 (subject to the lock-up period of 5 years and voting right shall be retained by Heroic Zone, the immediate holding company of the Company, thereafter)
Grant date	December 26, 2012
Vesting condition	Performance target for each year from 2012 to 2014

The management of the Company estimates that all granting conditions will be achieved and all Incentive Shares will be granted ultimately. The estimated fair value of the Incentive Shares as at grant date amounted to US$128 million. It is determined by market approach.

(b) The Company had adopted another share award plan (the "2013 Share Award Plan") pursuant to a written resolution of all the Company's shareholders in October 2013, representing 3.0% of the then issued shares of the Company at the time of issuance pursuant to the 2013 Share Award Plan held by High Zenith for the recognition and reward to the contribution of certain employees and the growth and development of the Group. The resolution also approved Trustee by the Company to provide trustee services for the 2013 Share Award Plan. The voting rights in respect of the shares held by High Zenith will be exercised in accordance with the direction to be given by Heroic Zone.

38. Share Incentive Schemes (Continued)

(b) (Continued)

If, at the date of termination of the 2013 Share Award Plan, High Zenith holds any shares which has not been set aside pursuant to the terms of the 2013 Share Award Plan in favour of any selected employees of the Company or retains any unutilised funds, the Trustee shall handle at the discretion of the board of directors of the Company according to the then applicable laws and regulations. Upon termination of the 2013 Share Award Plan, all the shares and other distributions provisionally awarded to a selected employee to the extent not already vested pursuant to the terms of the 2013 Share Award Plan, shall become vested on such selected employee and any shares which are not vested in accordance with the terms of the 2013 Share Award Plan or are forfeited in accordance with the terms thereunder, shall be handled at the discretion of the board of directors of the Company according to the then applicable laws and regulations. The trust set up for the 2013 Share Award Plan was hereby regarded as a special purpose entity of the Group accordingly.

On October 23, 2013, 350,877,333 shares of US$0.0001 each were allotted to High Zenith pursuant to the 2013 Share Award Plan as set out above.

None of the shares has been granted to the management or staff of the Company under the 2013 Share Award Plan up to the date of issue of these financial statements.

Also on October 23, 2013, the Company issued 573,099,645 and 245,614,133 new ordinary shares of US$0.0001 each to Sure Pass Holdings Limited ("Sure Pass") and Rich Matrix Global Limited ("Rich Matrix") respectively, being companies wholly beneficially owned and controlled by the directors, Messrs. Wan Long and Yang Zhijun respectively to recognise and reward their contributions to the acquisition of Smithfield. The voting rights in respect of the shares held by Sure Pass and Rich Matrix will be exercised in accordance with the direction to be given by Heroic Zone. The estimated fair value of these share awards as at grant date amounted to US$597 million. It is mainly determined by market approach.

(c) Pre-IPO share option

The pre-IPO share option scheme was adopted pursuant to a written resolution passed by the shareholders of the Company on January 21, 2014 as amended on April 4, 2014, the purpose of which is to incentivise and reward eligible participants of the scheme, including directors, full-time employees of the Company or its subsidiaries by reason of their contribution or potential contribution to the Company and/or any of its subsidiaries.

In July 2014, the number of shares in respect of which options had been granted under the pre-IPO share option scheme was 584,795,555, with exercise price of HK$6.20 per share, representing no more than 5% of the then issued share capital of the Company upon completion of the listing on the Stock Exchange. No consideration was paid by the grantees for the grant of the pre-IPO share options.

The fair value of the pre-IPO share options granted using the Binominal Option Pricing Model was HK$1,883 million (equivalent to approximately US$243 million) which was measured by an independent qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

38. Share Incentive Schemes (Continued)

(c) Pre-IPO share option (Continued)

The key inputs into the model were as follows:

Share price	**HK$6.66**
Exercise price	**HK$6.20**
Option life	**10 years**
Expected volatility	**42%**
Risk-free rate	**2.06%**

Expected volatility was determined by using the historical volatility of the selected comparable comprises in the same industry.

For the year ended December 31, 2015, the Group recognised a share-based payments expense of US$83 million (2014: US$78 million in relation to the 2010 Share Award Plan and the pre-IPO Share Option Scheme) in relation to the pre-IPO share option scheme.

39. Operating Lease Commitments

The Group as lessee

The Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015 US$'million	2014 US$'million
Within one year	**52**	44
In the second to fifth year inclusive	**137**	96
After five years	**93**	35
	282	175

Operating leases payments represent rentals payable by the Group for certain of its warehouse and premises. Lease are negotiated for a lease term between 4 to 50 years. The Group does not have an option to purchase the leased assets upon the expiry of the lease period.

40. Capital Commitments

	2015 US$'million	2014 US$'million
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**70**	367

41. Pledge of Assets

The carrying amount of the assets of the Group pledged to banks for securing banking and trading facilitates and loan from a third party granted to the Group is analysed as follows:

	2015 US$'million	2014 US$'million
Pledged bank balances	**21**	25

The remainder of pledged bank balances is mainly pledged for worker's compensation insurance claims in U.S. for both years.

As at December 31, 2015 and December 31, 2014, the Group's material U.S. subsidiaries are jointly and severally liable for, as primary obligors, the obligations under certain banking facilities, and those obligations are secured by a first priority lien on certain property, including cash and cash equivalents, deposit accounts, inventory, and intellectual property.

Smithfield Receivables Funding, LLC, a wholly owned subsidiary of the Group, has a securitisation facility that matures in May 2016. As part of the arrangement, all trade receivables of the major pork segment subsidiaries in Smithfield are sold to a wholly owned "bankruptcy remote" special purpose vehicle ("SPV"). The SPV pledges the receivables as security for loans and letters of credit. The SPV is included in the consolidated financial statements of the Group and therefore, the trade receivables owned by SPV are included in the consolidated statement of financial position of the Group. However, the trade receivables owned by the SPV are separate and distinct from the other assets and are not available to other creditors of Smithfield if Smithfield were to become insolvent. As at December 31, 2015, the SPV held US$627 million (2014: US$661 million) of trade receivables and had no outstanding borrowings on the securitisation facility respectively (2014: Nil).

42. Contingent Liabilities

Smithfield Foods, Inc. ("Smithfield"), a wholly owned subsidiary of the Group, is subject to various laws and regulations administered by the US federal, state and other government entities, including the United States Environmental Protection Agency and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries like other participants in the industry.

Smithfield had notices and inquiries from regulatory authorities and others asserting from time to time that Smithfield is not in compliance with the respective laws and regulations. In some instances, litigation ensues and individuals may initiate litigation against Smithfield.

North Carolina Nuisance Litigation

In August, September and October 2014, 25 complaints were filed in the Eastern District of North Carolina by 515 individual plaintiffs against Smithfield's wholly owned subsidiary, Murphy-Brown LLC, alleging causes of action for nuisance and related claims. The complaints stemmed from the nuisance cases previously filed in the Superior Court of Wake County. On February 23, 2015, all 25 complaints were amended, one complaint was severed into two separate actions, and several additional plaintiffs were joined, bringing the total number of plaintiffs to 541. On June 29, 2015, the Court granted Murphy-Brown's motion to strike certain allegations in the complaints, and plaintiffs subsequently amended all 26 complaints pursuant to the Court's order. Ten plaintiffs dismissed their claims without prejudice. Murphy-Brown filed its answers and affirmative defenses to all 26 complaints on August 31, 2015, and the parties are engaging in discovery. During discovery, several additional plaintiffs dismissed their claims. The 26 currently pending complaints include claims on behalf of 516 plaintiffs and relate to approximately 14 company-owned and 75 contract farms. All 26 complaints include causes of action for temporary nuisance and negligence and seek recovery of an unspecified amount of compensatory, special and punitive damages. The Group believes that the claims are unfounded and intends to defend the suits vigorously.

The Group's policy for establishing accruals and disclosures for contingent liabilities is set out in Note 3. The Group established a provision estimating the expenses to defend against these and similar potential claims on the consolidated statement of financial position at the date of Acquisition. Consequently, expenses and other liabilities associated with these claims for subsequent periods will not affect the profits or losses unless the reserve proves to be insufficient or excessive. However, legal expenses incurred in Smithfield and Smithfield's subsidiaries' defense of these claims and any payments made to plaintiffs through unfavourable verdicts or otherwise will negatively impact the cash flows and the liquidity position. Given that the matter is in its very preliminary stages and given the inherent uncertainty of the outcome for these and similar potential claims, the management of the Group cannot estimate the reasonably possible loss or range of loss for these loss contingencies in addition to the expenses that will incur to defend against these claims. The management of the Group will continue to review whether an additional accrual is necessary and whether Smithfield have the ability to estimate the reasonably possible loss or range of loss for these matters.

43. Related Party Transactions

(a) The Group had the following significant transactions with associates/joint ventures during both years:

	2015 US$'million	2014 US$'million
Sales of goods to associates	13	8
Sales of goods to joint ventures	21	–
Purchase of goods from associates	37	47
Purchase of goods from joint ventures	16	21

(b) Balances with associates/joint ventures at the end of both years:

	2015 US$'million	2014 US$'million
Included in:		
Trade and bills receivables	1	2
Prepayment, deposits and other receivables	–	1
Accrued expenses and other payables	4	9

The amounts due from/(to) associates/joint ventures are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel

Compensation of key management personnel and directors (represented by the directors' emoluments and the top five employee's emoluments) during the years is set out in Note 12.

44. Statement of Financial Position of the Company

	At December 31, 2015 US$'million	2014 US$'million
Non-current assets		
Interests in unlisted subsidiaries (Note)	**5,055**	5,000
Current assets		
Amounts due from subsidiaries	**126**	234
Prepayments, deposits and other receivables	**–+**	–+
Bank balances and cash	**12**	20
	138	254
Current liabilities		
Amounts due to subsidiaries	**1**	–
Other payables	**1**	5
Borrowings	**198**	197
	200	202
Net current (liabilities) assets	**(62)**	52
Total assets less current liabilities	**4,993**	5,052
Borrowings – non-current	**916**	1,292
Net assets	**4,077**	3,760
Capital and reserves		
Share capital	**1**	1
Share premium	**2,902**	2,902
Translation reserve	**61**	61
Other reserve	**842**	759
Retained profits	**271**	37
Total equity	**4,077**	3,760

Note: The balance represents investments in unlisted shares of subsidiaries at cost.

+ Less than US$1 million.

44. Statement of Financial Position of the Company (Continued)

Movement in the Company's reserves

	Share capital US$'million	Share premium US$'million	Translation reserve US$'million	Other reserve US$'million	Retained profits US$'million	Total US$'million
At January 1, 2014	1	581	61	681	(85)	1,239
Profit and total comprehensive income for the year	–	–	–	–	122	122
Issue of shares	–[+]	2,361	–	–	–	2,361
Transaction cost attributable to issue of shares	–	(40)	–	–	–	(40)
Share-based payments	–	–	–	78	–	78
	–[+]	2,321	–	78	122	2,521
At December 31, 2014	1	2,902	61	759	37	3,760
Profit and total comprehensive income for the year	–	–	–	–	234	234
Share-based payments	–	–	–	83	–	83
	–	–	–	83	234	317
At December 31, 2015	**1**	**2,902**	**61**	**842**	**271**	**4,077**

[+] Less than US$1 million.

45. Details of Non Wholly owned Subsidiaries That Have Material Non-Controlling Interests

The table below shows details of non wholly owned subsidiaries of the Group that have material non-controlling interests at the end of reporting period:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015 US$'million	2014 US$'million	2015 US$'million	2014 US$'million
河南雙滙投資發展股份有限公司 Henan Shuanghai Investment & Development Co., Ltd. ("Shuanghai Development")	China	**26.74%**	26.74%	**207**	204	**829**	806
Individually immaterial subsidiaries with non-controlling interests				**2**	2	**111**	114
				209	206	**940**	920

Summarised financial information in respect of Shuanghui Development that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	At December 31,	
	2015 US$'million	2014 US$'million
Non-current assets	**2,151**	2,168
Current assets	**1,372**	1,375
Current liabilities	**(788)**	(897)
Non-current liabilities	**(12)**	(8)
Equity attributable to owners of Shuanghui Development	**2,586**	2,498
Non-controlling interests of Shuanghui Development's subsidiaries	**138**	140
Non-controlling interests of Shuanghui Development	**691**	666
	829	806

45. Details of Non Wholly owned Subsidiaries That Have Material Non-Controlling Interests (Continued)

	Year ended December 31, 2015 US$'million	2014 US$'million
Revenue	7,114	7,415
Total expenses	(6,411)	(6,730)
Profit for the year and total comprehensive income for the year	703	685
Profit attributable to owners of the Company	496	481
Profit attributable to the non-controlling interests of Shuanghui Development's subsidiaries	26	28
Profit attributable to the non-controlling interests of Shuanghui Development	181	176
	703	685
Dividends paid to non-controlling interests of Shuanghui Development's subsidiaries	25	2
Net cash inflow from operating activities	918	851
Net cash outflow from investing activities	(523)	(600)
Net cash outflow from financing activities	(473)	(395)
Net cash outflow	(78)	(144)

46. Other Comprehensive Expense

Other reserve included the fair value of the share awards, remeasurement (deficit) of the defined benefit pension plans and fair value (deficit) surplus in cash flow hedge attributable to the Group.

	2015 US$'million	2014 US$'million
Other comprehensive expense includes:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement on defined benefit pension plans	(20)	(193)
Less: Income tax relating to defined benefit pension plans	8	75
	(12)	(118)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(245)	(231)
Reclassification adjustment on translation reserve released on disposal of interest in an associate	36	–
Fair value change in cash flow hedge	(77)	46
Income tax relating to cash flow hedge	30	(17)
	(256)	(202)
Other comprehensive expense, net of income tax	(268)	(320)

47. Events After the End of the Reporting Period

In January 2016, the Group's wholly owned subsidiary, Smithfield, has made a US$125 million voluntary contribution to fund its qualified pension plans, and the Group is still assessing the financial impact.

In 2012, a contractual condition was guaranteed by Shuanghui Development as a prerequisite for undergoing the asset restructuring. Shuanghui Development agreed all 23 construction-in-progress projects to be completed on or before December 31, 2014. As at December 31, 2014, one of the designated projects (200 metric tons low temperate packaged meat project held by a subsidiary of the Group, Shanghai Shuanghui Dah Chong Limited) has not yet been completed or commenced operations, hence failing to meet the requirement abovementioned and triggering the repurchase mechanism as agreed. Accordingly, Shuanghui Development shall repurchase an aggregate of 1,309,388 shares of Shuanghui Development from Rotary Vortex at the nominal consideration of RMB1.00. After such repurchase, the shareholding of the Company in Shuanghui Development will reduce from 73.26% to 73.25%. Such share repurchase was decided by the board of directors of Shuanghui Development on March 28, 2016 and is subject to the approval of shareholders of Shuanghui Development being obtained in the forthcoming shareholders' meeting of Shuanghui Development. In the opinion of the directors of the Company, the financial impact to the Group is not expected to be material.

48. Principal Subsidiaries

Details of the Company's principal subsidiaries at December 31, 2015 and December 31, 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital	Attributable proportion of issued/registered capital held by the Company indirectly		Principal activities
			2015	2014	
Rotary Vortex	Hong Kong	Ordinary shares – HK$16,515,000,000	100.00%	100.00%	Investment holding and trading
Shuanghui Development (Note 1)	China	Shares – RMB3,300,867,672	73.26%	73.26%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sales of packaging materials and meat products
Smithfield (Note 2)	U.S.	Note 3	100.00%	100.00%	Investment holding, livestock breeding, livestock slaughtering, manufacture and sales of meat products

Note 1: This company is listed on the A Shares Market of the Shenzhen Stock Exchange.

Note 2: This company was listed on the New York Stock Exchange and was delisted from the stock exchange market on September 26, 2013, immediately after the acquisition by the Group and remained as a registrant under U.S. Securities and Exchange Commission.

Note 3: The par value of the common shares of this subsidiary is zero.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the consolidated net assets. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

48. Principal Subsidiaries (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activity of business	Principal place	Number of subsidiaries 2015	2014
Hog production	China	**3**	3
	United States	**4**	4
	Poland	**4**	4
	Romania	**2**	2
Manufacture, production and sales of fresh pork, packaged meats and ancillary products and services	China	**84**	88
	United States	**17**	16
	Poland	**2**	2
	Romania	**2**	2
Investment holding or inactive	Hong Kong	**1**	1
	China	**6**	4
	United States	**37**	35
	Poland	**20**	19
	British Virgin Islands	**2**	2
	Cayman Islands	**5**	–
	Luxembourg	**1**	1
	Malta	**1**	1
Others	United States	**22**	21
	Poland	**1**	–
	Romania	**3**	4
		217	209

49. Comparative Figures

In order to conform with current year's presentation, expenses of US$151 million for the year ended December 31, 2014 included in cost of sales have been reclassified to distribution and selling expenses.

"2010 Share Award Plan"	the share award plan adopted by the Company on November 26, 2010, according to which, Teeroy Limited, as the trustee administering this share award plan, instructed Chang Yun to hold a pool of Shares subject to this share award plan; the principal terms of this share award plan are summarized in the section headed "Directors' report – 2010 Share Award Plan"
"2013 Share Award Plan"	the share award plan adopted by the Company on October 23, 2013, according to which, Teeroy Limited, as the trustee administering this share award plan, instructed High Zenith to hold a pool of Shares subject to this share award plan; the principal terms of this share award plan are summarized in the section headed "Directors' report – 2013 Share Award Plan"
"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company currently in force
"Board"	the board of Directors of the Company
"Board Committees"	collectively, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Environmental, Social and Governance Committee and the Food Safety Committee
"BVI"	the British Virgin Islands
"Campofrio"	Campofrio Food Group, S.A., a European packaged meats company organized under the laws of Spain. The Company previously held approximately 37% of the common stock of Campofrio until June 3, 2015, upon which it disposed of all such interest
"CDH Shareholders"	CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited
"CDH Shine"	CDH Shine Limited, a limited liability company incorporated under the laws of the BVI on February 27, 2006 and wholly owned by China Shine Group Limited (a limited liability company incorporated under the laws of the Cayman Islands)
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chang Yun"	Chang Yun Holdings Limited (運昌控股有限公司), a limited liability company incorporated under the laws of the BVI on April 12, 2010 and one of the Controlling Shareholders
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Code of Conduct"	the code of conduct regarding securities transactions by the Directors adopted by the Company
"Company"	WH Group Limited (萬洲國際有限公司), a limited liability company incorporated under the laws of the Cayman Islands the Shares of which are listing on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Rise Grand, Heroic Zone, Chang Yun, High Zenith, Sure Pass, Rich Matrix, China Diamond Holdings Company Limited, CDH Shine, CDH Shine II Limited, CDH Shine III Limited, CDH Shine IV Limited, CDH Shine V Limited, CDH V Sunshine I Limited and CDH V Sunshine II Limited
"Director(s)"	the director(s) of the Company
"EUR"	the Euro, the lawful currency of the member states of the European Union
"GBP"	British Pounds, the lawful currency of the United Kingdom
"GCM"	Granjas Carroll de Mexico S. de R.L. de C.V.,a Mexican hog farming company incorporated under the laws of Mexico. The Company indirectly held 50% interest in GCM as a joint venture as of December 31, 2015
"Group", "our Group", "our", "we", "us" or "WH Group"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Heroic Zone"	Heroic Zone Investments Limited (雄域投資有限公司), a limited liability company incorporated under the laws of the BVI on July 23, 2007 and one of our Controlling Shareholders
"Heroic Zone Share Plan"	the share plan dated December 25, 2009 and revised on December 17, 2012, under which a group of employees of Shuanghui Development and its associated entities hold 100% of the beneficial interests in Rise Grand, which in turn holds 100% of the equity interest in Heroic Zone
"High Zenith"	High Zenith Limited, a limited liability company incorporated under the laws of BVI on September 6, 2013 and one of our Controlling Shareholders
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"IFRS"	International Financial Reporting Standards
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	August 5, 2014, being the date on which the Shares are listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Norson"	Norson Holding, S. de R.L. de C.V., a Mexican meat products manufacturer and hog farming company incorporated under the laws of Mexico. The Company held 50% interest in Norson as a joint venture as of December 31, 2015
"PEDv"	Porcine Epidemic Diarrhea Virus
"PLN"	Polish Zloty, the lawful currency of the Republic of Poland
"pp"	percentage points
"Pre-IPO Share Options"	the options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by our Company on January 21, 2014 as amended on April 4, 2014, for the benefit of any director, employee, adviser, consultant, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of the Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed "Directors' Report – Pre-IPO Share Option Scheme"
"Prospectus"	the prospectus of the Company in relation to the Listing dated July 24, 2014
"Review Period"	the period from January 1, 2015 to December 31, 2015
"Rich Matrix"	Rich Matrix Global Limited (裕基環球有限公司), a limited liability company incorporated under the laws of the BVI on September 9, 2013 and one of the Controlling Shareholders
"Rise Grand"	Rise Grand Group Limited (興泰集團有限公司), a BVI Business Company incorporated under the laws of the BVI on July 3, 2007 and one of the Controlling Shareholders
"RMB"	Renminbi, the lawful currency of the PRC
"Rotary Vortex"	Rotary Vortex Limited (羅特克斯有限公司), a limited liability company incorporated under the laws of Hong Kong on February 28, 2006 and an indirect wholly owned subsidiary of the Company

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shine B"	Shine B Holding I Limited, which was a limited liability company incorporated under the laws of BVI on March 20, 2006 until it was officially dissolved on July 8, 2015, and a former Shareholder of the Company
"Shuanghui Development"	Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司), an indirect non-wholly owned subsidiary of the Company and a joint stock limited company established under the laws of the PRC on October 15, 1998, the shares of which are listed on the Shenzhen Stock Exchange in the PRC, and as the context may require, all or any of its subsidiaries
"Shuanghui Group"	Henan Luohe Shuanghui Industry Group Co., Ltd. (河南省漯河市雙匯實業集團有限責任公司), a limited liability company established under the laws of the PRC on August 29, 1994 and an indirect wholly owned subsidiary of the Company
"Smithfield"	Smithfield Foods, Inc., a corporation incorporated in the Commonwealth of Virginia, the United States on July 25, 1997 and an indirect wholly owned subsidiary of the Company and, as the context may require, all or any of its subsidiaries or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were, or any one of them, as the context may require, were or was engaged in and which were subsequently assumed by it
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Sure Pass"	Sure Pass Holdings Limited (順通控股有限公司), a limited liability company incorporated under the laws of the BVI on September 25, 2013 and one of the Controlling Shareholders
"United States" or "U.S."	the United States of America
"USDA"	U.S. Department of Agriculture
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States

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双汇发展
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Smithfield

This annual report is printed on environmental-friendly paper