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

INTERIM REPORT 2016

CONTENTS

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
AgFirst 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, 17/F, 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

RESULTS HIGHLIGHTS

	Six months ended June 30, 2016	2015
Key operating data		
Hogs produced (million heads)	**9.4**	9.3
Hogs processed (million heads)	**24.2**	23.9
Packaged meat products sales volume (million metric tons)	**1.5**	1.5

	Six months ended June 30,			
	2016		2015	
	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 stated otherwise (unaudited)		US$ million, unless stated otherwise (unaudited)	
Key financial data				
Turnover	**10,453**	**10,453**	10,205	10,205
Operating profit	**838**	**838**	729	729
EBITDA	**1,076**	**1,199**	968	864
Profit attributable to owners of the Company	**466**	**551**	367	303
Diluted earnings per share (US cents)	**3.26**	**3.85**	2.57	2.12
Interim dividend per share (HK$)	**0.05**	**0.05**	–	–

- Turnover increased by 2.4%
- Operating profit increased by 15.0%
- Profit attributable to owners of the Company, before biological fair value adjustments, increased by 27.0%

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements of the Group, including the related notes, set forth in this report.

Industry Overview

The Group operates in China, the U.S. and select markets in Europe. Each geographic region is characterized distinctively. To maintain steady performance and maximize profitability, we rely on our seasoned and experienced management team to manage the market dynamics effectively.

China

China is the largest pork consumption market in the world and the market is expected to expand further. Generally, the growth of the pork industry in China is largely dependent on the pace of its economic growth, urbanisation and improvement of people's living standard. Nevertheless, the short term trend is impacted by the industry cycle. According to the National Bureau of Statistics of China, the total production of pork in the Review Period was 24.73 million tons, a decrease of 3.9% as compared to the Comparable Period.

The pork prices in China are reflections of the supply and demand of hogs in the market. During the Review Period, the average hog price in China was RMB19.5 (approximately US$3.0) per kg, a surge of 48.9% from the Comparable Period. The high hog prices were primarily a result of the imbalance in supply. The reason of such imbalance could be traced back to the exit of loss-making hog producers since 2014. The increasingly stringent environment protection requirements being enforced by the government added further pressure to the hog farmers. Following the strong rise of hog prices from the second quarter of 2015 and a prolonged period of high level of prices in the first half of 2016, the incentivised hog farmers rebuilt their inventories. The increase in the upcoming supply is anticipated to lower the hog prices gradually.

The high hog prices suppressed the overall consumption of fresh pork and increased the demand for importation of pork from foreign countries. With reference to the statistics of China Customs, the total volume of imported pork for the Review Period was over 760 thousand metric tons, an increase of 214.6% as compared to the Comparable Period.

The U.S.

The 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 U.S. pork industry is relatively mature and concentrated.

Hog prices and pork values in the U.S. are driven by the supply and demand of its domestic and export markets. During the Review Period, overall protein production in the U.S. rose by 2.5%, in which the increase in beef was 5% and pork was 0.5%. The increase in production put pressure on the hog prices. The average hog price during the Review Period was US$1.11 per kg, a decrease of 2.6% over the Comparable Period. On the other hand, pork prices held up better due to strong exports, in particular to China. According to the United States Department of Agriculture, the total export volume of the U.S. pork grew 1.8% during the Review Period, while the volume to China (Mainland) and Hong Kong grew at a much higher rate of 139.8%. As a result, the average price of pork cutout was 3.6% higher than that of the Comparable Period.

Broadly speaking, fresh pork players in the U.S. benefited from lower hog prices and higher pork values during the Review Period. Hog farmers and slaughtering plants with ractopamine-free production capacity and access to China market benefited most from such opportunity.

Results of Operations

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

	Six months ended June 30, 2016 US$ million	2015 US$ million	Change %
Turnover(1)			
– Packaged meat products	5,342	5,307	0.7
– Fresh pork	4,585	4,171	9.9
– Hog production	318	544	(41.5)
– Others(2)	208	183	13.7
Total	10,453	10,205	2.4
Operating profit			
– Packaged meat products	769	729	5.5
– Fresh pork	191	58	229.3
– Hog production	(42)	44	(195.5)
– Others(2)	(80)	(102)	N/A
Total	838	729	15.0
Profit before taxation	913	554	64.8
Profit for the period	652	400	63.0

Notes:
(1) Turnover refers to net external sales.
(2) Others primarily consist of sales of ancillary products and services, as well as certain corporate expenses.

The packaged meat products segment has always been our core business. It contributed 51.1% of the Group's total turnover in the Review Period (Comparable Period: 52.0%). Its contribution to the Group's operating profit was even higher at 91.8% in the Review Period (Comparable Period: 100%).

Geographically speaking, our operation in China contributed 37.2% and 49.4% of the total turnover and operating profit of the Group in the Review Period, respectively (Comparable Period: 32.0% and 51.4%). Contribution of our operation in the U.S. to the total turnover and operating profit of the Group were 56.4% and 48.1%, respectively (Comparable Period: 61.6% and 44.9%).

Packaged Meat Products

	Six months ended June 30, 2016 US$ million	2015 US$ million	Change %
Turnover			
China	**1,654**	1,771	(6.6)
U.S.	**3,401**	3,255	4.5
Others	**287**	281	2.1
Total	**5,342**	5,307	0.7
Operating profit			
China	**378**	363	4.1
U.S.	**372**	342	8.8
Others	**19**	24	(20.8)
Total	**769**	729	5.5

During the Review Period, our total sales volume, turnover and operating profit of packaged meat products all demonstrated an increase over the Comparable Period.

The sales volume of our packaged meat products increased by 2.1% to 1,525 thousand metric tons in the Review Period. In China, our volume growth was 3.7% as compared to the Comparable Period because our key products performed well and our distribution network was further expanded. In addition, a number of new products were also launched during the Review Period including the Smithfield branded, American style bacon, ham and sausage products being produced in China. In the U.S., our volume was about the level of that in the Comparable Period. Our strategy is to achieve better growth by managing our brand portfolio and the front end of our sales process with a more cohesive approach.

Turnover of our packaged meat products in the Review Period was US$5,342 million, an increase of 0.7% as compared to the Comparable Period. The growth was mainly driven by the increase of turnover in the U.S. as a result of the enhancement of product mix and uplift of price points for select products. In contrast, despite the increase in sales volume, turnover in China was lower than that of the Comparable Period as we provided more support to distributors for marketing the products.

Operating profit of our packaged meat products grew 5.5% to US$769 million in the Review Period. In China, against the backdrop of high hog prices, we carefully managed our raw material costs through regulation of inventory levels and expansion of imports. As we enlarged our import volume substantially in the Review Period, more imported meat was deployed to the production of packaged meat products in order to lower our costs. We also continued to improve our business process so as to enhance our labor efficiency and save costs. In the U.S., relying on our management expertise, we were able to pass on higher raw material costs to the market and achieved a higher operating margin in the Review Period.

Fresh Pork

	Six months ended June 30, 2016 US$ million	2015 US$ million	Change %
Turnover			
China	2,131	1,407	51.5
U.S.	2,204	2,510	(12.2)
Others	250	254	(1.6)
Total	4,585	4,171	9.9
Operating profit (loss)			
China	38	52	(26.9)
U.S.	158	15	953.3
Others	(5)	(9)	N/A
Total	191	58	229.3

From time to time, in response to the shifts in demand and supply and the resulting movements in hog prices, we regulate our levels of slaughtering activity and adjust our meat prices in each respective market to maximize profit.

Number of hogs processed during the Review Period was 24,197 thousand heads, an increase of 1.4% over the Comparable Period. Hog processing volume in China remained stable as a net result of volume expansion based on our efforts to capture more market share as a medium to long term target and demand slow-down caused by the rapidly rising and sustainedly high pork prices. Hog processing volume in the U.S. was also maintained at a similar level as that in the Comparable Period.

Fresh pork turnover grew 9.9% to US$4,585 million in the Review Period because turnover in China went up significantly as a result of an increase in both prices and sales volume. The substantial increase of pork prices in China were primarily due to the lower supply of hogs in the market. Unlike China, turnover in the U.S. decreased as prices declined.

Our operating profit of fresh pork grew significantly from US$58 million in the Comparable Period to US$191 million in the Review Period. Operating profit in the U.S. increased by about tenfold in the Review Period. The great enhancement in profitability was primarily due to our success in capturing the higher value of meat such as bellies and hams, in conjunction with a relative lower cost of hogs. The ongoing benefits of our “One Smithfield” initiative was also a driver of higher margin during the Review Period. The increase in operating profit in the U.S. was partially offset by the decline in China. The reason for such decline was the pass through of prices became more challenging during the period of rapidly rising and sustainedly high hog prices, coupled with the suppression of consumption level from end customers.

Hog Production

	Six months ended June 30, 2016 US$ million	2015 US$ million	Change %
Turnover			
China	7	3	133.3
U.S.	294	518	(43.2)
Others	17	23	(26.1)
Total	318	544	(41.5)
Operating (loss)/profit			
China	21	3	600.0
U.S.	(70)	28	(350.0)
Others	7	13	(46.2)
Total	(42)	44	(195.5)

Hog production volume remained stable at 9,360 thousand heads during the Review Period. Turnover of hog production decreased by 41.5% to US$318 million in the Review Period as the hog prices in the U.S. were lower in the Review Period and we recorded a higher gain on lean hog futures contracts in the Comparable Period. Operating loss of US$42 million was contributed by the vast majority of our hog production business in the U.S. as a net result of lower feed costs and lower gain on lean hog futures contracts. Our hog production business in China, on the other hand, benefited from the elevated hog prices, achieved higher profitability in the Review Period.

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 the Review Period, turnover generated from our other businesses amounted to US$208 million, a 13.7% increase as compared to the Comparable Period.

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.

Analysis of Capital Resources

Liquidity

The Group continues to maintain a strong level of liquidity. We had bank balances and cash of US$515 million as at June 30, 2016, which were held primarily in Renminbi, U.S. dollars, Polish Zloty and Romanian Lei. We also had available-for-sale investments of US$517 million as at June 30, 2016 (as at December 31, 2015: US$397 million), which were fully redeemable within 12 months. Our current ratio (ratio of consolidated total current assets to consolidated total current liabilities) was 1.5:1 as at June 30, 2016 (as at December 31, 2015: 1.8:1).The aggregate amount of unutilised banking facilities as at June 30, 2016 was US$2,408 million (as at December 31, 2015: US$2,505 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 the Review Period, our EBITDA (before biological fair value adjustments) amounted to US$1,076 million (Comparable Period: US$968 million). Our net cash from operating activities amounted to US$354 million (Comparable Period: US$306 million). Our net cash used in investing activities amounted to US$349 million (Comparable Period: net cash from US$4 million). Our net cash used in financing activities amounted to US$650 million (Comparable Period: US$448 million).

Debt Profile

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

	At June 30, 2016 US$ million	At December 31, 2015 US$ million
Borrowings by nature		
Senior unsecured notes	**2,137**	2,142
Bank borrowings	**1,408**	1,603
Medium term notes	**150**	154
Loans from third parties	**5**	3
Bank overdrafts	**50**	12
Total	**3,750**	3,914
Borrowings by geographical region		
U.S.	**2,218**	2,225
Hong Kong	**1,097**	1,152
China	**353**	499
Others	**82**	38
Total	**3,750**	3,914

The Group's total principal amount of borrowings as at June 30, 2016 was US$3,731 million (as at December 31, 2015: US$3,896 million). The maturity profile of the Group's total principal amount of borrowings as at June 30, 2016 is analyzed as below:

	Total
In 2016	12%
In 2017	25%
In 2018	27%
In 2019	1%
In 2020	1%
In 2021	10%
In 2022	24%
Total	100%

As at June 30, 2016, 97.2% of the our borrowings were unsecured (as at December 31, 2015: 98.5%). Certain borrowings were secured by pledged bank deposits and other assets. Certain borrowings contain affirmative and negative covenants that are subject to certain qualifications and exceptions. The Group has no material default in repayment of bank borrowings, nor did it breach any relevant financial covenants for the Review Period.

Leverage Ratios

As at June 30, 2016, our debt to equity ratio (ratio of consolidated borrowings and bank overdrafts to consolidated total equity) and net debt to equity ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to consolidated total equity) were 54.4% and 46.9% respectively (as at December 31, 2015: 58.4% and 41.4%). Our net debt to trailing 12-month EBITDA ratio (ratio of consolidated borrowings and bank overdrafts less bank balances and cash to trailing 12-month EBITDA, before biological fair value adjustments) was 1.5:1 (as at December 31, 2015: 1.4:1).

Finance Costs

Our finance costs decreased from US$118 million in the Comparable Period to US$96 million for the Review Period. As at June 30, 2016, the average interest rate of our borrowings was 4.6% (as at December 31, 2015: 4.9%).

Credit Profile

The Group aims at maintaining a good credit profile that is beneficial to its long-term growth and development. The 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") and China Lianhe Credit Rating Co., Ltd. The corporate rating of Shuanghui Group is also AAA according to CCXI. The corporate ratings of Smithfield by Moody's and Standard & Poor's are Ba3** and BB, respectively.

* *For identification purposes only*

** *The corporate rating of Smithfield by Moody's was upgraded to Ba2 subsequent to the date of this report.*

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.

Capital expenditures amounted to US$208 million in the Review Period. The following table sets out our capital expenditures by geographical region for periods indicated:

	Six months ended June 30,	
	2016	2015
	US$ million	US$ million
China	**38**	91
U.S.	**136**	124
Others	**34**	21
Total	**208**	236

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

Human Resources

We continued with our focus on talent management and employee engagement. As at June 30, 2016, we had approximately 103 thousand employees in total, with approximately 52 thousand employees in China and approximately 51 thousand employees in the U.S. and Europe. Total remuneration expenses in the Review Period amounted to US$1,562 million (Comparable Period: US$1,579 million).

Biological Assets

As at June 30, 2016, we had a total of 12,235 thousand hogs, consisting of 11,174 thousand live hogs and 1,061 thousand breeding stock, a 5.1% increase from 11,640 thousand hogs as at December 31, 2015. We also had a total of 5,468 thousand poultry, consisting of 4,939 thousand broilers and 529 thousand breeding stock. The fair value of our biological assets was US$1,207 million as at June 30, 2016, as compared to US$1,065 million as at December 31, 2015.

Our results have been, and we expect they 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. 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 an increase of US$12 million and decrease of US$43 million in our cost of sales for the Review Period and Comparable Period 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 profits of US$47 million and US$88 million respectively in the Review Period (Comparable Period: losses of US$135 million and US$12 million respectively). For the Review Period, the net impact of biological fair value adjustments on our profit was a profit in the amount of US$85 million, as compared to a loss in the amount of US$64 million in the Comparable Period.

Key Investment Interests

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 June 30, 2016, GCM and Norson had in aggregate approximately 108 thousand sows on the farms in the states of Veracruz, Puebla and Sonora. During the Review Period, share of profit from the Mexican joint ventures was US$11 million (Comparable Period: US$8 million).

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 the U.S., these commodities are actively traded on commodity exchanges. We hedge these commodities in the 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. As at June 30, 2016, approximately 66.6% of our borrowings were at fixed interest rates (as at December 31, 2015: 62.9%). 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.

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 relations 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.

Sustainability

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. Our sustainability initiatives focus on animal care, community service, employee safety, environmental protection, food safety and product quality. We support people in need, provide relief to disaster-stricken areas, educate children and sponsor charity and public sports activities.

Environment

As a leading company in the pork industry, we believe that creating a sustainable environment is critical to our business development. Hog production and hog processing operations inevitably affect the environment. Hence, in order to reduce the environmental impact of our operations, we have adopted protective measures in the areas of water 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 and hog processing operations to be effectively reused as organic fertilizer. In 2016, Smithfield's U.S. facilities received a total of 47 awards from the North American Meat Institute (NAMI) for our ISO14001 Certified Environmental Management System as implemented at these U.S. operations. Our plants also received several other awards including, for example, our Cudahy, Wisconsin packaged facility which was recognized by the Milwaukee Metropolitan Sewerage District for diligent compliance and protection of Lake Michigan and other waterways, and our Wichita Kansas facility which was awarded the Gold Pretreatment Compliance award by the Kansas Water Environment Association.

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 the U.S., we have been gradually phasing out individual gestation stalls at company-owned sow farms and have been replacing them with group housing systems.

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 that we help feed. For example, 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 the U.S., through the long-term “Helping Hungry Homes” campaign, we donate millions of servings of food to families in need in the country each year.

Employees

We work hard to create a 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. In the U.S., work-related injuries in connection with our operations continue to remain below the national averages for our industry.

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.

We have established a Food Safety Committee and an Environment, Society and Governance Committee under the Board, in order to strengthen our uniformed management of and control over our food safety and better fulfill our social responsibility.

Outlook

The operating landscape, affected by economic growth, consumers’ preference, industry cycle and epidemics, will continue to impact our businesses. To cope with these challenges and achieve more vigorous growth in competition, we will respond proactively.

In China, we will deepen the optimisation of our product portfolio, expand our sales network, develop our sales channels and invest in marketing efforts. We will launch new products to the market consistently, with an emphasis on low temperature and mid-end to premium products. In the U.S., we will focus on the realization of the full value of “One Smithfield” initiative. We will build stronger consumer brands and increase market share in key products. We expect margins to keep enhancing through improvement in management and uplift in efficiency.

As a consumer goods company, branded packaged meat products will continue to be our core business. Coupled with our stringent quality control and food safety systems, we will assure customers with high quality products. We will also strive to capture opportunities brought by industry consolidation. We believe that our relentless pursuit of our strategies will lead to sustainable growth, solidify our global leadership and create long-term value for our shareholders, employees and communities.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF WH GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of WH Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 48, which comprise the condensed consolidated statement of financial position as of June 30, 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 20, 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2016

	Notes	Six-month period ended June 30, 2016			Six-month period ended June 30, 2015		
		Results before biological fair value adjustments US$'million (unaudited)	Biological fair value adjustments US$'million (unaudited)	Total US$'million (unaudited)	Results before biological fair value adjustments US$'million (unaudited)	Biological fair value adjustments US$'million (unaudited)	Total US$'million (unaudited)
Turnover		10,453	–	10,453	10,205	–	10,205
Cost of sales		(8,405)	(12)	(8,417)	(8,260)	43	(8,217)
Gross profit		2,048	(12)	2,036	1,945	43	1,988
Distribution and selling expenses		(854)	–	(854)	(829)	–	(829)
Administrative expenses		(339)	–	(339)	(353)	–	(353)
Gain (loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		–	47	47	–	(135)	(135)
Gain (loss) arising from changes in fair value less costs to sell of biological assets		–	88	88	–	(12)	(12)
Other income		37	–	37	34	–	34
Other gains and losses		5	–	5	14	–	14
Other expenses		(28)	–	(28)	(42)	–	(42)
Finance costs		(96)	–	(96)	(118)	–	(118)
Share of profits (losses) of associates		5	–	5	(1)	–	(1)
Share of profits of joint ventures		12	–	12	8	–	8
Profit before taxation	4	790	123	913	658	(104)	554
Taxation	5	(223)	(38)	(261)	(194)	40	(154)
Profit for the period		567	85	652	464	(64)	400
Other comprehensive (expense) income for the period:							
Items that will not be reclassified subsequently to profit or loss							
– remeasurement on defined benefit pension plans				2			58

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended June 30, 2016

	Notes	Six-month period ended June 30, 2016 Results before biological fair value adjustments US$'million (unaudited)	Six-month period ended June 30, 2016 Biological fair value adjustments US$'million (unaudited)	Six-month period ended June 30, 2016 Total US$'million (unaudited)	Six-month period ended June 30, 2015 Results before biological fair value adjustments US$'million (unaudited)	Six-month period ended June 30, 2015 Biological fair value adjustments US$'million (unaudited)	Six-month period ended June 30, 2015 Total US$'million (unaudited)
Items that may be reclassified subsequently to profit or loss							
– exchange differences arising on translation of foreign operations				(57)			(69)
– fair value change in cash flow hedge				25			(9)
– reclassification adjustment on translation reserve released on disposal of interest in an associate				–			36
				(32)			(42)
Other comprehensive (expense) income for the period, net of tax				(30)			16
Total comprehensive income for the period				622			416
Profit for the period attributable to							
– owners of the Company				551			303
– non-controlling interests				101			97
				652			400
Total comprehensive income for the period attributable to							
– owners of the Company				519			317
– non-controlling interests				103			99
				622			416
Earnings per share							
– Basic (US cents)	7			4.03			2.22
– Diluted (US cents)	7			3.85			2.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2016

	Notes	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Non-current assets			
Property, plant and equipment	8	**4,644**	4,674
Prepaid lease payments		**207**	215
Biological assets	9	**191**	200
Goodwill		**1,797**	1,801
Intangible assets		**1,703**	1,715
Interests in associates		**65**	63
Interests in joint ventures		**117**	122
Other receivables		**47**	45
Pledged bank deposits		**10**	9
Deferred tax assets		**39**	146
Other non-current assets		**84**	98
		8,904	9,088
Current assets			
Biological assets	9	**1,016**	865
Inventories	10	**1,750**	1,748
Trade and bills receivables	11	**791**	725
Prepayments, deposits and other receivables		**238**	231
Prepaid lease payments		**5**	5
Taxation recoverable		**114**	88
Available-for-sale investments		**517**	397
Derivatives financial assets		**15**	–
Pledged bank deposits		**8**	17
Bank balances and cash		**515**	1,137
		4,969	5,213
Current liabilities			
Trade and bills payables	12	**491**	812
Accrued expenses and other payables	13	**1,290**	1,371
Taxation payable		**91**	44
Derivatives financial liabilities		**7**	26
Borrowings	14	**1,362**	594
Bank overdrafts	14	**50**	12
		3,291	2,859
Net current assets		**1,678**	2,354
Total assets less current liabilities		**10,582**	11,442

Condensed Consolidated Statement of Financial Position (Continued)

At June 30, 2016

	Notes	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Non-current liabilities			
Borrowings	14	2,338	3,308
Other payables	13	151	149
Obligations under finance leases		23	23
Deferred tax liabilities		848	810
Deferred revenue		8	9
Pension liability and other retirement benefits	15	321	440
		3,689	4,739
Net assets		6,893	6,703
Capital and reserves			
Share capital		1	1
Reserves		6,085	5,762
Equity attributable to owners of the Company		6,086	5,763
Non-controlling interests		807	940
Total equity		6,893	6,703

The condensed consolidated financial statements on pages 17 to 48 were approved and authorised for issue by the Board of Directors on August 20, 2016 and are signed on its behalf by:

Mr. Wan Long
Chairman and Chief Executive Officer

Mr. Guo Lijun
Executive Vice President and Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2016

	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$'million (note (b))	China statutory reserves US$'million (note (c))	Retained profits US$'million	Total US$'million	Non-controlling interests US$'million	Total US$'million
At January 1, 2016 (audited)	1	2,902	(55)	(118)	665	229	2,139	5,763	940	6,703
Profit for the period	–	–	–	–	–	–	551	551	101	652
Exchange difference arising on translation to foreign operations	–	–	–	(59)	–	–	–	(59)	2	(57)
Remeasurement on defined benefit pension plans	–	–	–	–	2	–	–	2	–	2
Fair value changes in cash flow hedge	–	–	–	–	25	–	–	25	–	25
Total comprehensive (expense) income for the period	–	–	–	(59)	27	–	551	519	103	622
Acquisition of additional interests in subsidiaries	–	–	(1)	–	–	–	–	(1)	(3)	(4)
Dividends paid to shareholders and non-controlling interests	–	–	–	–	–	–	(220)	(220)	(236)	(456)
Share-based payments	–	–	–	–	25	–	–	25	3	28
Transfers	–	–	–	–	–	9	(9)	–	–	–
	–	–	(1)	–	25	9	(229)	(196)	(236)	(432)
At June 30, 2016 (unaudited)	1	2,902	(56)	(177)	717	238	2,461	6,086	807	6,893
At January 1, 2015 (audited)	1	2,902	(55)	51	649	200	1,382	5,130	920	6,050
Profit for the period	–	–	–	–	–	–	303	303	97	400
Exchange difference arising on translation to foreign operations	–	–	–	(71)	–	–	–	(71)	2	(69)
Remeasurement on defined benefit pension plans	–	–	–	–	58	–	–	58	–	58
Reserve released on disposal of interest in an associate	–	–	–	36	–	–	–	36	–	36
Fair value changes in cash flow hedge	–	–	–	–	(9)	–	–	(9)	–	(9)
Total comprehensive (expense) income for the period	–	–	–	(35)	49	–	303	317	99	416
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(162)	(162)
Share-based payments	–	–	–	–	38	–	–	38	4	42
Transfers	–	–	–	–	–	30	(30)	–	–	–
	–	–	–	–	38	30	(30)	38	(158)	(120)
At June 30, 2015 (unaudited)	1	2,902	(55)	16	736	230	1,655	5,485	861	6,346

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended June 30, 2016

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. Other reserve

As at June 30, 2016, other reserve included the fair value of the share awards, remeasurement on the defined benefit pension plans and fair value in cash flow hedge attributable to the Group of US$824 million, deficit of US$110 million and surplus of US$3 million respectively. (December 31, 2015: US$799 million, deficit of US$112 million and deficit of US$22 million respectively).

c. China statutory reserves

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2016

	Six-month period ended June 30, 2016 US$'million (unaudited)	2015 US$'million (unaudited)
Net cash from operating activities	**354**	306
Investing activities		
Interest received	**2**	2
Dividends received from associates	**4**	23
Purchase of property, plant and equipment	**(237)**	(370)
Proceeds from disposal of property, plant and equipment	**1**	4
Proceeds from disposal of an associate	**–**	354
Net cash outflow on acquisition of additional interests in subsidiaries	**(4)**	–
Purchase of available-for-sale investments	**(1,100)**	(853)
Proceeds from maturity of available-for-sale investments	**975**	843
Placement of pledged bank deposits	**(15)**	(8)
Withdrawal of pledged bank deposits	**25**	9
Net cash (used in) from investing activities	**(349)**	4
Financing activities		
Dividends paid to shareholders and non-controlling interests	**(456)**	(162)
Proceeds from borrowings, net of transaction costs	**2,013**	1,018
Repayment of borrowings	**(2,207)**	(1,304)
Net cash used in financing activities	**(650)**	(448)
Net decrease in cash and cash equivalents	**(645)**	(138)
Cash and cash equivalents at January 1	**1,125**	958
Effect on foreign exchange rate changes	**(15)**	(1)
Cash and cash equivalents at June 30	**465**	819
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**515**	843
Bank overdrafts	**(50)**	(24)
	465	819

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2016

1. Basis of Presentation

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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on August 5, 2014.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are manufacture and sales of meat and meat products as well as hog production.

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.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. Principal Accounting Policies

The condensed 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended June 30, 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to *International Financial Reporting Standards ("IFRS")* that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Segment Information

The Group determines its operating segments based on the reports reviewed by the executive directors who are also the chief operating 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 flavoring ingredients, and internally-produced packaging materials, imported meat products as well as some 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.

Segment 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 profits (losses) of associates and joint ventures. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance.

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

3. Segment Information (Continued)

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

For the six months ended June 30, 2016

	Packaged meats US$'million (unaudited)	Fresh pork US$'million (unaudited)	Hog production US$'million (unaudited)	Others US$'million (unaudited)	Total US$'million (unaudited)
China					
Gross segment revenue	1,654	2,394	50	189	4,287
Less: Inter-segment and inter-location sales	–	(263)	(43)	(88)	(394)
Net external sales	1,654	2,131	7	101	3,893
Reportable segment profit (loss)	378	38	21	(23)	414
United States of America (the "U.S.")					
Gross segment revenue	3,402	3,499	1,297	–	8,198
Less: Inter-segment and inter-location sales	(1)	(1,295)	(1,003)	–	(2,299)
Net external sales	3,401	2,204	294	–	5,899
Reportable segment profit (loss)	372	158	(70)	(57)	403
Others					
Gross segment revenue	308	402	221	140	1,071
Less: Inter-segment and inter-location sales	(21)	(152)	(204)	(33)	(410)
Net external sales	287	250	17	107	661
Reportable segment profit (loss)	19	(5)	7	–	21
Total					
Gross segment revenue	5,364	6,295	1,568	329	13,556
Less: Inter-segment and inter-location sales	(22)	(1,710)	(1,250)	(121)	(3,103)
Net external sales	5,342	4,585	318	208	10,453
Reportable segment profit (loss)	769	191	(42)	(80)	838
Net unallocated income					31
Biological fair value adjustments					123
Finance costs					(96)
Share of profits of associates					5
Share of profits of joint ventures					12
Profit before taxation					913

3. Segment Information (Continued)

For the six months ended June 30, 2015

	Packaged meats US$'million (unaudited)	Fresh pork US$'million (unaudited)	Hog production US$'million (unaudited)	Others US$'million (unaudited)	Total US$'million (unaudited)
China					
Gross segment revenue	1,771	1,660	38	157	3,626
Less: Inter-segment and inter-location sales	–	(253)	(35)	(77)	(365)
Net external sales	1,771	1,407	3	80	3,261
Reportable segment profit (loss)	363	52	3	(43)	375
U.S.					
Gross segment revenue	3,255	3,515	1,591	–	8,361
Less: Inter-segment and inter-location sales	–	(1,005)	(1,073)	–	(2,078)
Net external sales	3,255	2,510	518	–	6,283
Reportable segment profit (loss)	342	15	28	(58)	327
Others					
Gross segment revenue	304	409	214	134	1,061
Less: Inter-segment and inter-location sales	(23)	(155)	(191)	(31)	(400)
Net external sales	281	254	23	103	661
Reportable segment profit (loss)	24	(9)	13	(1)	27
Total					
Gross segment revenue	5,330	5,584	1,843	291	13,048
Less: Inter-segment and inter-location sales	(23)	(1,413)	(1,299)	(108)	(2,843)
Net external sales	5,307	4,171	544	183	10,205
Reportable segment profit (loss)	729	58	44	(102)	729
Net unallocated income					40
Biological fair value adjustments					(104)
Finance costs					(118)
Share of losses of associates					(1)
Share of profits of joint ventures					8
Profit before taxation					554

3. Segment Information (Continued)

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.

4. Profit Before Taxation

	Six-month period ended June 30, 2016 US$'million (unaudited)	2015 US$'million (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**184**	186
Amortisation of intangible assets included in administrative expenses	**4**	4
Amortisation of prepaid lease payments	**2**	2
Write-down of inventories included in cost of sales	**9**	3
Allowances on trade receivables	**–+**	1
Operating leases rentals in respect of rented premises	**55**	57
Research and development expenses	**42**	45
Staff costs	**1,542**	1,550
and after crediting:		
Gain on disposal of an associate	**–**	1
Gain on maturity of available-for-sale investments	**10**	16

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

\+ Less than US$1 million

5. Taxation

	Six-month period ended June 30, 2016 US$'million (unaudited)	2015 US$'million (unaudited)
China enterprise income tax	107	97
U.S. and other overseas income tax	121	101
Withholding tax	5	9
Deferred tax (credit)	28	(53)
	261	154

Income tax is calculated at the applicable tax rates prevailing in the respective jurisdictions.

6. Dividends

The Board resolved to recommend the payment of a dividend of HK$0.125 per share to the shareholders of the Company whose names appear on the register of members of the Company on May 27, 2016. The dividend was paid in cash to the shareholders of the Company on June 13, 2016.

The Board resolved to recommend the payment of an interim dividend of HK$0.05 per share to the shareholders of the Company whose names appear on the register of members of the Company on September 2, 2016. The dividend is to be paid in cash to the shareholders of the Company on or about September 20, 2016.

7. 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:

	Six-month period ended June 30, 2016 US$'million (unaudited)	2015 US$'million (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**551**	303

	Six-month period ended June 30, 2016 million Shares	2015 million Shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	**13,665.96**	13,665.96
Effect of dilutive potential ordinary shares – incentive shares	**631.58**	631.58
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**14,297.54**	14,297.54

Note: The number of ordinary shares for basic earnings per share excludes shares held by Chang Yun Holdings Limited and High Zenith Limited under the Company's share incentive schemes.

The computation of diluted earnings per share for the period ended June 30, 2016 does not assume the exercise or forfeiture of the Company's share options because the exercise price of those options was higher than the average market price for shares.

8. Movements in Property, Plant and Equipment

During the period, the Group incurred US$208 million (2015: US$236 million) on addition of property, plant and equipment.

9. 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, finishing hogs and broilers, 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:

	At June 30, 2016 Head ('000) (unaudited)	At December 31, 2015 Head ('000) (audited)
Live hogs		
– suckling	**1,721**	1,555
– nursery	**2,416**	2,203
– finishing	**7,037**	6,816
	11,174	10,574
Breeding stock (hogs)	**1,061**	1,066
	12,235	11,640
Broilers	**4,939**	2,862
Breeding stock (poultry)	**529**	455
	5,468	3,317

9. 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 and disease controls, surveys and insurance.

Carrying value of the Group's biological assets

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 each of the reporting period.

Analysed for reporting purpose as:

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Current	**1,016**	865
Non-current	**191**	200
	1,207	1,065

9. Biological Assets (Continued)

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

Fair value measurement

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.

10. Inventories

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Raw materials	513	696
Work in progress	88	76
Finished goods	1,149	976
	1,750	1,748

11. Trade and Bills Receivables

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Trade receivables	789	727
Less: Allowance for bad and doubtful debts	(7)	(7)
	782	720
Bills receivables	9	5
	791	725

The general credit term allowed by the Group to its customers is within 30 days in China operations while the credit terms vary depending on the sales channel and customer for the U.S. and others operations.

The following is an ageing analysis of the trade and bills receivables net of allowance for bad and doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised:

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Age		
0 to 30 days	722	647
31 to 90 days	67	62
91 to 180 days	2	16
	791	725

12. Trade and Bills Payables

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Trade payables	**491**	812

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

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

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Age		
0 to 30 days	**475**	786
31 to 90 days	**9**	22
91 to 180 days	**1**	2
181 to 365 days	**6**	2
	491	812

13. Accrued Expenses and Other Payables

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Accrued staff costs	316	394
Sales rebates payables	217	193
Deposit receipts	209	206
Payables in respect of acquisition of property, plant and equipment	160	189
Insurance payables	112	113
Interest payable	47	62
Balance of contingent consideration in respect of acquisition of subsidiaries	59	54
Growers payables	36	35
Deferred compensation	33	32
Accrued rent and utilities	30	30
Pension liability	31	31
Accrued professional fees	18	25
Accrued advertising expenses	17	26
Amounts due to associates	9	4
Deferred revenue	1	2
Obligations under finance leases	1	1
Other payables	145	123
	1,441	1,520
Analysed for reporting purposes as:		
Current	1,290	1,371
Non-current	151	149
	1,441	1,520

14. Borrowings

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Senior unsecured notes:		
6.625% senior unsecured notes due August 2022	899	900
5.250% senior unsecured notes due August 2018	447	446
7.750% senior unsecured notes due July 2017	441	447
5.875% senior unsecured notes due August 2021	350	349
	2,137	2,142
Medium-term unsecured notes	150	154
Bank loans (Note i)		
Secured	102	59
Unsecured	1,306	1,544
Loans from third parties (Note ii)		
Secured	3	1
Unsecured	2	2
	3,700	3,902
Bank overdrafts (Note iii)	50	12
The borrowings other than bank overdrafts are repayable as follows (Note iv):		
Within one year	1,362	594
Between one to two years	407	777
Between two to five years	674	1,278
After five years	1,257	1,253
	3,700	3,902
Less: Amounts due within one year shown under current liabilities	(1,362)	(594)
Amounts due after one year	2,338	3,308
Total borrowings:		
At fixed rates	2,465	2,456
At floating rates	1,235	1,446
	3,700	3,902

14. Borrowings (Continued)

Notes:

(i) Bank loans carry interest at fixed rates ranging from 2.45% to 5.70% (December 31, 2015: from 2.67% to 5.25%) and floating rates of LIBOR + 0.60% to LIBOR + 3.25% per annum at June 30, 2016 (December 31, 2015: LIBOR + 0.68% to LIBOR + 3.25%).

(ii) Loans from third parties carry interests at fixed rates of 0.90% per annum at June 30, 2016 (December 31, 2015: 0.90%).

(iii) Bank overdrafts at June 30, 2016 carry interest at fixed rate ranging from 3.92% to 4.13% per annum (December 31, 2015: 4.35%).

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

Certain borrowings as at June 30, 2016 are secured by the Group's pledged bank deposits of US$12 million (December 31, 2015: US$21 million). As at June 30, 2016 and December 31, 2015, certain U.S. subsidiaries of the Group are jointly and severally liable for, as primary obligors, the obligations under the inventory revolver, and those obligations are secured by a first priority lien on certain property, including cash and cash equivalents, deposit accounts, inventories, intellectual property.

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 financial covenants for the period ended June 30, 2016 and year ended December 31, 2015.

15. Pension Liability and Other Retirement Benefits Schemes

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.

Pension plan assets may be invested in cash and cash equivalents, equities, debt securities, insurance contracts and real estates. 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. 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 policy for the plan is consistently applied at December 31, 2015 and June 30, 2016.

In January 2016, Smithfield has made a US$125 million voluntary contribution to fund its qualified pension plans. 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.

15. Pension Liability and Other Retirement Benefits Schemes (Continued)

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 Mandatory Provident Fund (the "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$30,000. 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 are 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$44 million during the six months ended June 30, 2016 (2015: US$37 million) represents contribution paid or payable to the plans by the Group at rates specified in the rules of the plans.

16. Capital Commitments

	At June 30, 2016 US$'million (unaudited)	At December 31, 2015 US$'million (audited)
Capital expenditure contracted but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**75**	70

17. Contingent Liabilities

Smithfield 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 ("Murphy-Brown"), 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 511 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.

17. Contingent Liabilities (Continued)

North Carolina Nuisance Litigation (Continued)

The Group's policy for establishing accruals and disclosures for contingent liabilities is set out in the Group's annual financial statements for the year ended December 31, 2015. The Group established a reserve for Smithfield's estimated expenses to defend against these and similar potential claims on the consolidated statement of financial position at the date of Acquisition. Consequently, future 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.

18. Fair Value Measurement of Financial Instruments

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

Fair value measurements recognised in the condensed consolidated statement 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).

18. Fair Value Measurement of Financial Instruments (Continued)

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

	At June 30, 2016			
	Level 1 US$'million (unaudited)	**Level 2 US$'million (unaudited)**	**Level 3 US$'million (unaudited)**	**Total US$'million (unaudited)**
Derivative financial assets	**–**	**15**	**–**	**15**
Available-for-sale investments	**–**	**517**	**–**	**517**
Other non-current assets	**–**	**58**	**–**	**58**
	–	**590**	**–**	**590**
Derivative financial liabilities	**1**	**6**	**–**	**7**

	At December 31, 2015			
	Level 1 US$'million (audited)	Level 2 US$'million (audited)	Level 3 US$'million (audited)	Total US$'million (audited)
Available-for-sale investments	–	397	–	397
Other non-current assets	–	71	–	71
	–	468	–	468
Derivative financial liabilities	7	19	–	26

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.

18. Fair Value Measurement of Financial Instruments (Continued)

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.

As at 30 June 2016

	Gross amounts of recognised financial assets US$'million (unaudited)	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position US$'million (unaudited)	Net amounts of financial assets presented in the consolidated statement of financial position US$'million (unaudited)	Related amounts not set off in the consolidated statement of financial position		
				Financial collateral US$'million	Cash collateral received US$'million	Net amount US$'million
Derivative under hedge accounting	24	(13)	11	–	–	11
Derivative not under hedge accounting	5	(1)	4	–	–	4
Total	29	(14)	15	–	–	15

18. Fair Value Measurement of Financial Instruments (Continued)

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

As at 30 June 2016

	Gross amounts of recognised financial liabilities US$'million (unaudited)	Gross amounts of recognised financial assets set off in the consolidated statement of financial position US$'million (unaudited)	Net amounts of financial liabilities presented in the consolidated statement of financial position US$'million (unaudited)	Related amounts not set off in the consolidated statement of financial position		
				Financial collateral US$'million	Cash collateral pledged US$'million	Net amount US$'million
Derivative under hedge accounting	16	(13)	3	–	–	3
Derivative not under hedge accounting	5	(1)	4	–	–	4
Total	21	(14)	7	–	–	7

18. Fair Value Measurement of Financial Instruments (Continued)

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

As at 31 December 2015

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

18. Fair Value Measurement of Financial Instruments (Continued)

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

As at 31 December 2015

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

19. Related Party Transactions

(a) The Group had the following significant transactions with associates and joint venture:

	Six-month period ended June 30, 2016 US$'million (unaudited)	2015 US$'million (unaudited)
Sales of goods to associates	3	8
Sales of goods to joint venture	3	17
Purchase of goods from associates	21	23
Purchase of goods from joint venture	9	10

(b) Compensation of key management personnel

The remuneration of these key executives is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

The remuneration of key management personnel, representing emoluments of directors of the Company paid/payable during the period under review is set out as follows:

	Six-month period ended June 30, 2016 US$'million (unaudited)	2015 US$'million (unaudited)
Basic salaries and allowances	2	2
Performance bonus	5	2
Retirement benefits scheme contributions	–+	5
Share-based payments	13	20
	20	29

\+ Less than US$1 million.

OTHER INFORMATION

Interim Dividend

The Board declares an interim dividend of HK$0.05 per share (2015: Nil) for the six months ended June 30, 2016 (the "2016 Interim Dividend"), representing a total payment of approximately HK$732 million (equivalent to approximately US$94 million) (2015: Nil) to the Shareholders. The 2016 Interim Dividend is expected to be paid in cash to the Shareholders on or about Tuesday, September 20, 2016. The register of members of the Company will be closed from Monday, September 5, 2016 to Wednesday, September 7, 2016, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the 2016 Interim Dividend, Shareholders are reminded to lodge their transfers not later than 4:30 p.m. on Friday, September 2, 2016 with Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Disclosure of Interests

Directors

As at June 30, 2016, 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, 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	Beneficiary of a trust(5)	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 be interested in the 573,099,645 Shares held by Sure Pass.

(2) Mr. Wan Long is one of the participants of 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 be interested in the 746,452,069 Shares which Heroic Zone is interested in.

(3) Mr. Guo Lijun is one of the participants of 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 be interested in the 62,785,688 Shares which Heroic Zone is interested in.

(4) Mr. Zhang Taixi is one of the participants of 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 be interested in the 1,013,590 Shares which Heroic Zone is interested in.

(5) 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. Zhang Taixi	Beneficial interest	40,000,000	0.2626%
Mr. Sullivan Kenneth Marc	Beneficial interest	12,000,000	0.0788%
Mr. You Mu	Beneficial interest	3,674,969	0.0241%

Note:
(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.

(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	Shuanghai Development	Interest of spouse[(1)]	15,000	0.000%

Note:
(1) 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 June 30, 2016, 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 June 30, 2016, so far as was known to any Director or chief executive officer of the Company, shareholders (other than the Directors or chief executive of the Company whose interests 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%
He Xingbao[1]	Trustee	4,982,991,111	34.017%
Zhang Liwen[1]	Trustee	4,982,991,111	34.017%
Zhao Yinzhang[1]	Trustee	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%
Teeroy Limited	Trustee	982,457,333	6.707%
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%

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding[14]
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%
CDH 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 August 11, 2016, the beneficial interest of Rise Grand was owned by 295 participants (the "HSP Participants") of the Heroic Zone Share Plan. Pursuant to an entrustment agreement dated June 13, 2016, 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 Zhang Liwen, (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.) (津鼎暉嘉鵬股權投資合夥企業(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 Options.

Save as disclosed above, as at June 30, 2016, 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 Pre-IPO Share Options						
Grantee	Date of Grant	As at January 1, 2016	Exercised	Cancelled	Lapsed	As at June 30, 2016	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
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

Grantee	Date of Grant	As at January 1, 2016	Exercised	Cancelled	Lapsed	As at June 30, 2016	Exercise Price (HK$)	Exercise Period
		Number of Pre-IPO Share Options						
Connected persons								
POPE C. Larry	July 10, 2014	40,000,000	–	–	–	40,000,000	6.20	Note
WAN Hongwei (萬宏偉)	July 10, 2014	2,500,000	–	–	–	2,500,000	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

Grantee	Date of Grant	Number of Pre-IPO Share Options As at January 1, 2016	Exercised	Cancelled	Lapsed	As at June 30, 2016	Exercise Price (HK$)	Exercise Period
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
SEBRING, Joseph B.	July 10, 2014	4,500,000	–	–	–	4,500,000	6.20	Note
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

Grantee	Date of Grant	Number of Pre-IPO Share Options: As at January 1, 2016	Exercised	Cancelled	Lapsed	As at June 30, 2016	Exercise Price (HK$)	Exercise Period
Senior management and other employees (in aggregate)	July 10, 2014	126,539,455	–	–	3,580,934	122,958,521	6.20	Note
Total		**564,449,756**	**–**	**–**	**3,580,934**	**560,868,822**		

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.

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 three of our Directors, Messrs. Guo Lijun, Zhang Taixi and You Mu, and Mr. Yang Zhijun (who was then an executive Director until he retired with effect from the conclusion of the annual general meeting of the Company 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, You Mu 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, 12,631,599 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, You Mu 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.

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' 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. The Company has made specific enquiries with each Director and each of them confirmed that he had complied with all required standards under the Code of Conduct during the Review Period.

Corporate Governance Practices

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Throughout the Review Period, the Company complied with all applicable code provisions set out in the CG Code, except for the following deviation:

Code Provision A.2.1 of the CG Code – Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman of the Board (the "Chairman") and chief executive officer should be separate and should not be performed by the same individual. Mr. Wan Long ("Mr. Wan") currently holds both such positions.

The Board 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.

Update on Information of Directors Pursuant to Rule 13.51B(1) of the Listing Rules

Changes in the information of Directors since the date of the 2015 annual report of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(i) Mr. Lee Conway Kong Wai ceased to be an independent non-executive director, chairman of the audit committee and member of the remuneration and appraisal committee, nomination committee, risk management committee and related party transactions control committee of CITIC Securities Company Limited (a company listed on the Stock Exchange with stock code 6030) with effect from May 10, 2016; and

(ii) Mr. Huang Ming is a non-executive director of Qihoo 360 Technology Co. Ltd. (a company listed on the New York Stock Exchange with stock code QIHU) ("Qihoo"). The shares of Qihoo were withdrawn from listing on the New York Stock Exchange with effect from July 18, 2016.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (chairman), Mr. Huang Ming and Mr. Lau Jin Tin, Don. The Audit Committee has reviewed the Group's Condensed Consolidated Financial Statements of the Review Period, including the accounting principles adopted by the Group, with the Company's management.

The Company's external auditor, Deloitte Touche Tohmatsu, has reviewed the interim financial information for the Review Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

Wan Long
Chairman and Chief Executive Officer

Hong Kong, August 20, 2016

GLOSSARY

"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 "Other Information - 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 "Other Information - 2013 Share Award Plan"
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"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
"Comparable Period"	the period from January 1, 2015 to June 30, 2015

"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
"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 June 30, 2016
"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 the Controlling Shareholders
'Heroic Zone Share Plan"	the share plan dated December 25, 2009, revised on December 17, 2012 and July 11, 2016 respectively, 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 the Controlling Shareholders
"HK$" or "HK$ cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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 June 30, 2016
"PEDv"	the Porcine Epidemic Diarrhea Virus
"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 "Other Information - Pre-IPO Share Option Scheme"
"Pre-IPO Share Options"	the options granted under the 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, 2016 to June 30, 2016
"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
"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 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, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States